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Youth Entrepreneurship Report 2012

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YOUTH ENTREPRENEURSHIP IN THE CARIBBEAN REGION 2012

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CONTENT

LIST OF FIGURES

LIST OF TABLES

LIST OF ABBREVIATIONS

APS: Adult Population Survey
BYS: Barbados Young Service
EB: Established Business
EFCs: Entrepreneurial Framework Conditions
GEM: Global Entrepreneurship Monitor
IDRC: International Development Research Center of Canada
ILO: International Labor Organization
MSME: Micro, Small and Medium Enterprises
NES: National Experts Survey
NCYD: National Centre for Young Development
NYS: National Young Service
OCDE: Organisation for Economic Co-operation and Development
R&D: Research and Development
SV: Secondary Variables
TEA: Total Early-Stage Entrepreneurial Activity
USD: United State Dollar
USA: United States of America
UNICEF: United Nations Children's Fund
WEF: World Economic Forum
YBI: The Prince´s Young Business International
YDP: the Young Development Program
YES: Young Entrepreneurship Scheme
YMP: Young Mainstreaming Program

EXECUTIVE SUMMARY

The GEM Caribbean project is a research activity executed with the support of the International Development Research Centre (IDRC) (Canadian-based organization), since 2011, in a joint academic venture with: the Arthur Lok Jack Graduate School of Business, University of the West Indies in Trinidad & Tobago; Cave Hill School of Business, University of the West Indies in Barbados; University of Technology in Jamaica; Universidad Icesi in Colombia. The main objective of the project is to study in detail many characteristics, variables and factors related to the entrepreneurial process.

In 2012, a special research effort was applied to the topic of young entrepreneurship, and specific adjustments were included to the different elements of the GEM research methodology.

This report presents the main measurements of the young entrepreneurial process, in each country and also in an integrated form for the Caribbean region which covers the whole population. This report is available on-line at: www.gemcaribbean.org and at: www.gemconsortium.org

The entrepreneurial pipeline concept indicates that in the Caribbean 74% of the young population has a positive socio-cultural perception about entrepreneurship and entrepreneurs, 68% are potential entrepreneurs, 55% are intentional entrepreneurs, 13% are nascent entrepreneurs, 8% are new entrepreneurs, and 4% are established entrepreneurs.

In terms of the total early entrepreneurial activity (TEA) (nascent and new entrepreneurs) of the young population (18-34 years old), the Caribbean countries had high indicators: at the world level Colombia ranked 9th among 69 countries: Barbados 15th, Trinidad & Tobago 22nd. At the Latin American level, Colombia ranked 2nd among 13 countries, Barbados 6th and Trinidad & Tobago 9th.

As a group, the Caribbean countries present higher TEA rates than the country groupings of USA, the European Union, the Non-European Union, Asia Pacific & South Asia, the

Middle East & North Africa, Latin American but lower than in Sub-Saharan Africa.

The entrepreneurial pipeline of the young population (18-34 years old), presents better indicators than the entrepreneurial pipeline of the adult population (35-64 years old), except in the "established business" stage.

The entrepreneurial pipeline of young males presents better indicators than the entrepreneurial pipeline of young females. Identifying the specific reasons for this gender gap requires more in-depth research that could lead to the formulation of policies and programs to address the disparities.

As true for all Caribbean entrepreneurs, the young ones are creating businesses with a low level of use of recent technology, oriented mainly to the local markets and with limitations in terms of innovation.

One important point is that the young entrepreneurs are more motivated by opportunity than the adult population, which could mean better results in terms of growth in the short and long term.

The report proposes some additional research to examine more closely: disparities in the entrepreneurial pipeline among males versus females; the entrepreneurial education system for young; an evaluation of the support system for young entrepreneurs; the accessibility of financing for young entrepreneurs, efforts to build the level of confidence young people have in their entrepreneurial skills and capacity, among others.

The main policy implication is the need in every country to develop a very specific policy for young entrepreneurs, with its own support mechanism and programs oriented to solve the specific limitations that young entrepreneurs face.

However, many of the recommendations relevant for the whole Caribbean population are also valid for the young entrepreneurs: enhancement of the culture of entrepreneurship; improving the system of entrepreneurial education; designing relevant support systems and programs for each of the entrepreneurial pipeline stages; improving financial schemes; and improving the regulatory system to encourage higher levels of formalization.

The GEM Caribbean team is open to any requests for information about many of the variables that are not included in this executive report, and also to receive recommendations on how to improve this research and the dissemination process of the results obtained in GEM.

1

INTRODUCTION[1]

Research about the role of the youth population, in different elements of the socio-economic development, has been growing in the last decades.

Pereznieto & Harding (2013) indicate: "the world now has the largest generation aged 15 to 24 in the history (1.2 billion young people) and almost 90% of these young women and men live in developing countries. High fertility rates in the developing world mean that their share in the global population is likely to increase over the next 20 years (UNICEF, 2012), and many developing countries are already experiencing a "young bulge".

Young people are about 18% of the world population, but they represent about 40% of all the unemployed people in the world. About 200 million young are earning under USD $2/day and there is a need to create 600 million new jobs over the next 10 years just to sustain current levels of employment (Ellis, K. & Williams, C., 2012). In 2012, 75 million young people were unemployed worldwide (World Economic Forum, 2013).

The young entrepreneurship topic has become increasingly more important, because the global young unemployment rate, which had decreased from 12.7% in 2009 to 12.3% in 2011, increased again to 12.4% in 2012, and will continue to grow to 12.6% in 2013. This situation is severe, taking into account that before the crisis in 2007, the level of young unemployment was only 11.5% (ILO, 2013a).

The disparity ratio between young and adult unemployment stands at 2.7 in 2013. This means that, young people are almost three times more likely to be unemployed than the rest of the population.

In 2012, the young unemployment rate in Latin America and the Caribbean reached

1 In the report, when the word "youth" be used, it will be referring to the people in the 18-34 age range. The word "young" will cover the 18-24 years and the term "young adults" will cover the 25-34 years old, excepts in the citations that the exact expression used by the author will be use.

12.95%; three times the adult employment rate and twice the general regional rate of unemployment (6.7%). The ILO projected for the period 2013-2018 that the young unemployment rate will oscillate between 13.2% and 13.6% (ILO, 2013b): for young males from 11.1% to 11.2% and for young females from 13.3% to 17%. In the report, except in the citations, youth will cover the 18-34 year range. Young will cover the 18-24 years range and young adult will cover the 25-34 year range.

The Prince's Young Business International report (YBI & ODI, 2012), describes the level of youth unemployment by economic groupings of GEM countries in 2012:

- In the *Factor- Driven Economies*, the youth population makes up around 36% of the total population. The youth unemployment rate in this economic group is 26%.
- In the *Efficiency–Driven Economies*, the youth population makes up around 33% of the total population. The youth unemployment rate in this economic group is 25%.
- In the *Innovation–Driven Economies*, the youth population makes up around 27% of the total population. The youth unemployment rate in this economic group is 17%.

Apart from unemployment rates, there are some other problems with young employment: to secure formal employment, 6 of each 10 young people, have to accept informal employment, which implies poor labor conditions: low productivity, low salaries, low wellbeing levels, exclusion from the social security system, lack of capacity to plan their life to long-term, uncertainty, risk of not being covered in the case of an on the job accident, and weaknesses in professional capacity due to lack of training. In addition, youth people are usually the first to lose their job when times get tough.

This problematic of youth unemployment demands the urgent adoption of public policies to improve opportunities in the labor market for youth because youth unemployment and under-employment is an escalating limitation to economic prosperity, social cohesion and political stability.

One of the difficulties in all the youth relating areas is the definition of when a person belongs to the youth category.

For its study of youth entrepreneurship, GEM segmented youth into two groups: The group from 18 to 24 years old is referred at as "Young", and the group from 25 to 34 years old is referred to as "Young Adults". For this report, "youth people" are considered entrepreneurs aged 18-34 years old.

GEM included specific questions in the APS and in the NES to better characterize the youth entrepreneur. These two age categories reflecting "young" and "young adults" are in line with the age ranges traditionally used in GEM studies and in that sense, it is possible to compare some variable and factors from the 2012 cycle with data from the previous cycles.




2

YOUTH ENTREPRENEURSHIP

Youth people have been starting and operating their own businesses since very ancient times, but the subject as a research academic field is fairly recent and still a field in the development.

Chigunta (2002) proposes a broad categorization of youth entrepreneurs into three (transitional) phases.

- Pre-entrepreneurs (in the age of 15-19 years): This is the formative stage. These younger young are often in transition from the security of the home or education to the work place. But, as Curtain (2000) observes, for many young people, the transition from education to work is not a single step of leaving the educational system and entering the world of work.
- Budding entrepreneurs (in the age of 20-25 years): This is the growth stage. These young are likely to have gained some experience, skills and capital to enable them run their own enterprises. They often face three enterprise pathways: 1) remaining stuck in marginal activities; 2) going out of business; and 3) running successful enterprises.
- Emergent entrepreneurs (in the age of 26-29 years): This is the prime stage. With valuable experiences in business, emergent entrepreneurs have a higher level of maturity than young in the lower age groups. Hence they are more likely to run more viable enterprises than younger people.

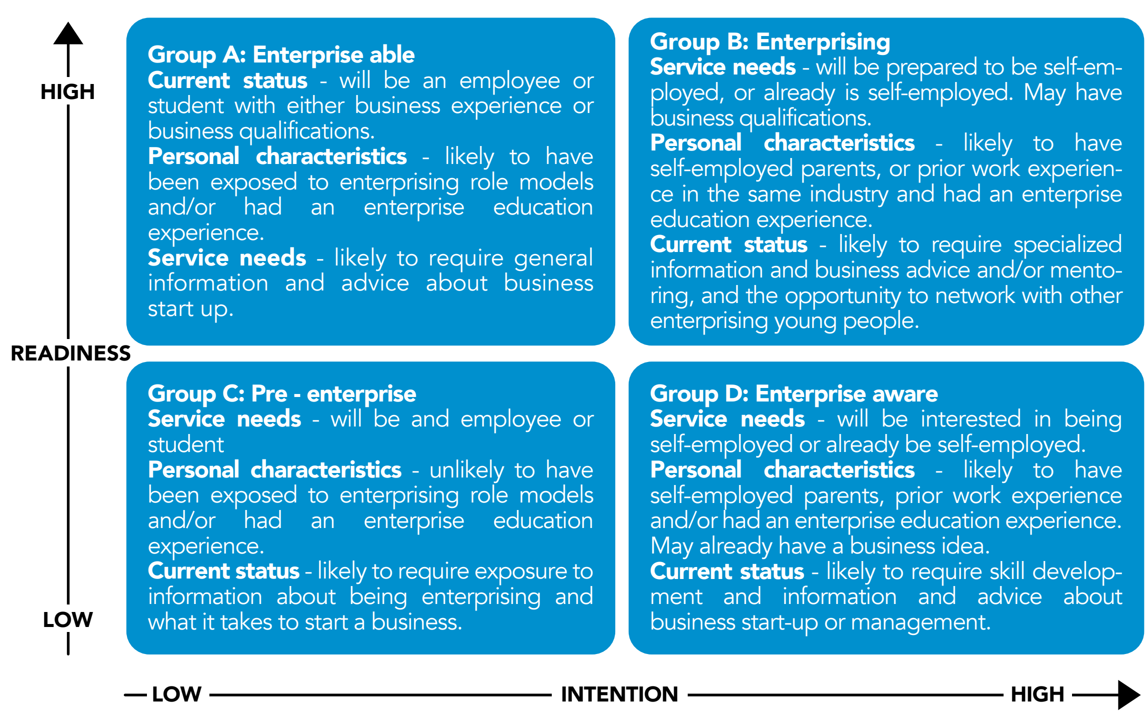
The W.K Kellog Foundation Young and Education Unit (2006) define "Young entrepreneurship" as the area that involves the development of entrepreneurial attitudes, skills and opportunities for young people, from middle school through young adulthood (from 18 to 34 year olds).

Lewis and Massey (2003) provide a diagnostic framework for young entrepreneurs. Depending on the level of readiness (level of skill and/or exposure to enterprise) of young people to engage in business and the level of intention to be enterprising, the authors distinguish four different groups of potential young entrepreneurs (Figure 1). This kind of framework can assist researchers, planners and policy-makers to obtain a better understanding of the particular needs of the young people as a group, and to identify appropriate methods and promotion programs to improve the enterprise culture in a selected country or region.

At the Caribbean level, some programs have been developed to specifically address the subject of youth entrepreneurs. Some of them are:

- In Jamaica, the National Young Policy (1994) represented the first comprehensive policy on young. This was developed from the Draft National Young Policy and the 1992 paper, "Vision of Young". Among the priority, areas identified by the 1994 Policy, were the need for an institutional focal point to ensure effective coordination of and collaboration on young related programs and research and act as an information clearinghouse. Consequently the National Centre for Young Development (NCYD) was established to fulfill this mandate. This Centre is the young division in the Ministry of Young & Culture, and it was established in the year 2000 as the Government department with responsibility for young people aged 15–24 years in the country. The NCYD (2000) is responsible for developing, coordinating and implementing young development programs that enhance the capacities of young people to participate in societal processes and provide spaces and opportunities to increase young participation. Since 2003 NCYD has coordinated, implemented and or managed the following core programs: National Secondary Students' Council, Jamaica Union of Tertiary Students, National Young Council of Jamaica, and Jamaica Young Ambassadors Programme.
- In Colombia, the Presidential Program for the National Youth System: "Colombia

Figure 1. Diagnostic framework for young entrepreneurs



Source: Lewis and Massey (2003)

Joven" (2012), is responsible for promoting youth participation in the economic, technological, political, social and cultural spheres. It is also responsible for the proper functioning of the National System of Youth, whose overall objective is to establish policies, plans and programs that contribute to social, economic, cultural and policy promotion of youth. In Colombia, youth began to be part of the government's agenda when in January 1992; it created the Council for Youth, Women and the Family. After this milestone, the youth vice ministry was created in 1994 by law 115. Finally, through Law 375 of 4 July 1997 was established the Youth Law, which leads to the creation of the program "Colombia Joven".

- In Barbados, the Division of Young Affairs is a department of the Ministry of Education, Young Affairs & Sports, founded in 1995 with the responsibility for fulfilling the Government's mandate relative to young development. The Division's goal is to facilitate the development of confident, proud, self-reliant and creative individuals through (young) involvement in productive activity that contributes to personal, community and national development. Some organizations created by the Division of Young Affairs include the Barbados Young Service (BYS), the Young Development Program (YDP), Young Entrepreneurship Scheme (YES) and the Young Mainstreaming Program (YMP). All of these programs provide services for young, focusing on their education, skills training and employment. Barbados is currently creating a National Young Service (NYS) scheme. The new NYS will target young people ages 11 to 21 and will provide them with education and training in social and civic engagement.

- In Trinidad and Tobago, the Ministry of Gender, Young and Child Development was established in July 2011 in line with the Government's strategy for sustainable development. Its strategic intent is to provide learning opportunities to enable young people to gain knowledge and develop new skill, build young people's capacity to consider risks and consequences and make informed decisions, help young people to develop social awareness and a sense of social solidarity and enhance young people's role as active change agent.

3

GEM RESEARCH INITIATIVE

3.1 INTRODUCTION

Broad agreement exists among academia and public policy makers about the importance of entrepreneurial activity and entrepreneurs in the dynamics of economic development. New businesses drive innovation, generate jobs and, stimulate productivity and competition thereby developing the economy and welfare of a society.

The Global Entrepreneurship Monitor (GEM) conducts the largest on-going research worldwide in order to study and analyze the relationship that exists between entrepreneurship and national economic development. This project started in 1999 as an initiative of Babson College and the London Business School. At the present time, it is the only comparable data source that exists globally about a wide range of variables associated with general entrepreneurial activity and with specific elements in the different stages that comprise the entrepreneurial process.

GEM has been able to collect and process harmonized data on an annual basis focusing mainly on three objectives:

- Measuring the differences that exist in the entrepreneurial activity levels between the different countries that participate.

- Discovering the principal causes and variables that affect the level of entrepreneurial activity in each country.

- Identifying policies that may foster the quality and quantity of the entrepreneurial activity in each country.

3.2 GEM CARIBBEAN

GEM Caribbean is a three-year project, supported by Canada´s International Development Research Centre (IDRC) that will establish, train, and strengthens entrepreneurship research teams in four Caribbean countries: Colombia, Jamaica, Trinidad & Tobago, and Barbados.

The research by these teams will measure the levels, underlying factors, and environmental constraints of entrepreneurship within each national environment and comparatively within the region by using the GEM methodology. The findings can assist policymakers, educators, and researchers (both applied and theory building) in creating supportive environments that encourage job creation and inclusive economic development through growth in entrepreneurship.

The overall objective of the GEM Caribbean project is to build research capacities on entrepreneurship research and provide policymakers with a stronger empirical foundation on which to build and monitor progress in the promotion of entrepreneurship and job creation in the Caribbean.

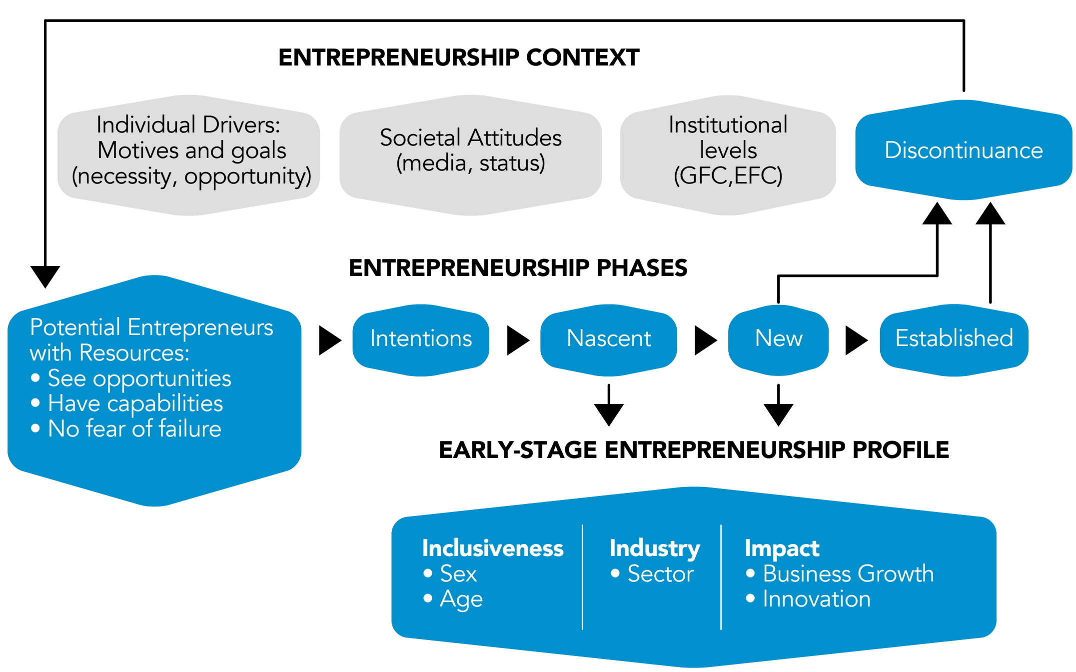
The specific objectives include:

- To build the capacity of national research teams to conduct entrepreneurship research, report and disseminate their findings, and sustain their work in the long-term.
- To generate research findings on entrepreneurship on a national and regional level, with a focus on high-growth entrepreneurship, particularly among young and women as well as on creative industries in the Caribbean
- To facilitate discussion of these research findings and policy recommendations among the private sector, policy makers, educators, and researchers, particularly regarding promotion of high-growth entrepreneurship, young entrepreneurship and gender entrepreneurship.
- To generate a harmonized, publicly available database on entrepreneurship in the Caribbean through the application of the Global Entrepreneurship Monitor (GEM) methodology.

3.3 GEM MODEL

The GEM model defines the adult population as those aged 18-64. Since they are the object of study, a representative sample is interviewed in order to learn about their attitudes, activities and aspirations towards

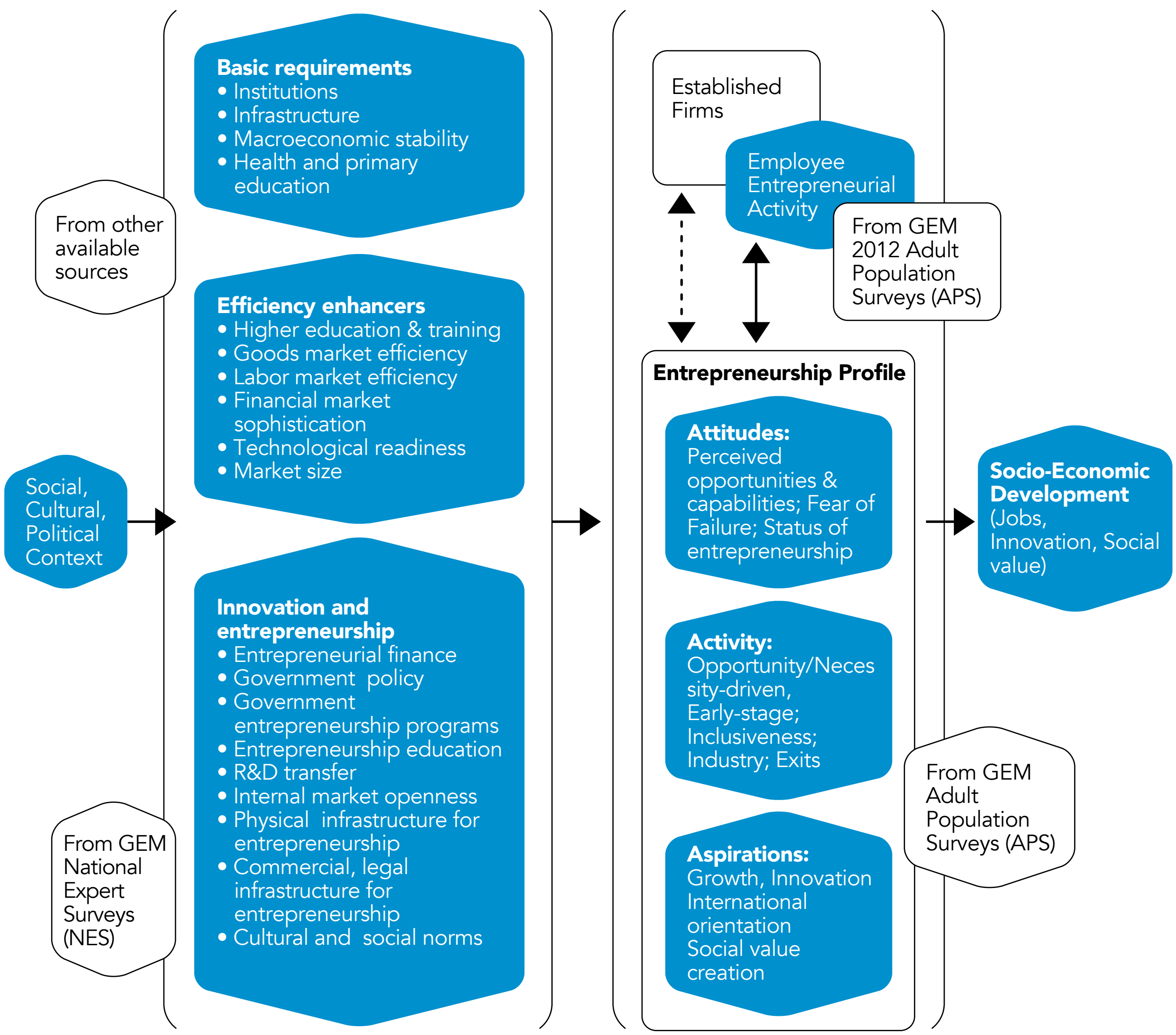
Figure 2. Entrepreneurial process



Source: Global Entrepreneurship Monitor: 2012 Report (2013) the intention, creation, growth, and closure aspects of entrepreneurship. Figure 2 shows the entrepreneurial cycle. It defines the main stages in which GEM divides the entrepreneurial process and classifies the entrepreneurs according to the level of their organizational development:

It is important for GEM not only to know the quantity of the adult population in any stage of the entrepreneurial pipeline in a given year, but also to understand the entrepreneurial profiles that are the characteristics of individuals in each one of the stages. For this reason, the research takes into consideration variables associated with industry sector and impact, in addition to demographic elements, GEM developed a conceptual model (Figure 3) to explain the relationships that exist between several environmental variables, entrepreneurial activity, and socio-economic development indicators; and for that reason it measures those variables and correlates them with indicators of the different stages of the pipeline.

Figure 3.GEM model



Source: Global Entrepreneurship Monitor: 2012 Report (2013)

The model explains how the social, cultural and political contexts of each country has an influence on three sets of conditions–Basic Requirements, Efficiency Enhancer, Innovation entrepreneurship–which are the critical factors for the value creation of the socioeconomic dynamism generated by the established firms and the new enterprises. The magnitude of the socio-economic value creation is the defining variable of the socioeconomic development.

In order to increase the socioeconomic development of a country, appropriate policies must be formulated to foster the three sets of conditions so as to create more and better enterprises. The main role of GEM is to obtain measurements of different entrepreneurial variables in order to evaluate the effectiveness of these policies.

3.4 RESEARCH DESIGN

In order to compare results among participating countries, the methodology used in the GEM study is standardized worldwide, and it is composed of three basic processes:

1. The Adult Population Survey (APS), is a survey administered to the population aged 18-64. In the Caribbean region in 2012, around 10,500 surveys were conducted in Barbados, Colombia and Trinidad & Tobago, statistically representing the population in terms of urban, rural, age, gender and economic strata. The number of surveys administered per country was: Barbados – 2,055, Colombia – 6,471, and Trinidad & Tobago – 2,029. Even though interviews were conducted in Jamaica, the Jamaica results are not included in the 2012 report due to quality problems of the data.

   These interviews to the adult population, measured multiple variables of the different types of entrepreneurs, but the main measurement is the proportion of individuals (18-64) who belong to the following three categories. "Nascent Entrepreneurs", "New Entrepreneurs" and "Established Entrepreneurs". The first two groups: nascent entrepreneurs and new entrepreneurs are added to measure the Total Entrepreneurial Activity known as TEA. Additionally, the interviews measured the attitudes, aspirations and intentions regarding entrepreneurial activity, entrepreneurial profiles, businesses discontinuance and many other variables concerning entrepreneurs and their enterprises.

2. The National Expert Survey (NES), is a survey administered to national experts who evaluate the entrepreneurial framework conditions for innovation and entrepreneurship: entrepreneurial finance, government policies, governmental programs, education & training, R&D transfer, commercial & service infrastructure, openness of the market, physical infrastructure, cultural and social norms among others. In 2012, Barbados conducted 34 surveys, Colombia 50, Trinidad & Tobago 36 and Jamaica 39 surveys.

3. Secondary sources related to socioeconomic variables of the countries (Secondary Variables – SV), are composed of a series of data about each participant country which is fundamental for the basic requirements as well as for the efficiency enhancers, such as population, level of income, employment and unemployment rates, investment in research & development, commercial and physical infrastructure, competitiveness, risk indicators, corruption levels, national gross product per capita and ease in doing business within the country. This data is gathered by the central coordination team of the GEM project in London from sources such as The World Bank, the International Monetary Fund, the World Economic Forum, the Organisation for Economic Co-operation and Development (OECD), the UN, the USA Census, the EU, UNESCO, the Doing

Business Report, and the Heritage Foundation, as well as from many other secondary information sources.

3.5 ENTREPRENEURIAL PIPELINE

For the analysis of GEM results, the "Entrepreneurial Pipeline" concept (Varela & Soler, 2013) is applied. This considers the following stages:

Socio Cultural Acceptance: The entrepreneurial process is a social process executed by people living in a specific cultural and social condition. For that reason, the first stage measures the percentage of adult population that has a positive perception about entrepreneurship. In the GEM research, people are asked if: 1) they consider starting a new business is a good career choice, 2) they associate entrepreneurs with high status, and 3) there is a lot of positive media attention for entrepreneurship.

A positive perception of the three concepts mentioned above will foster motivation, professional orientation, commitment and resilience in people, thereby increasing the proportion of adults willing to try to start up new enterprises, and the number of active entrepreneurs willing to keep their business growing.

Potential Entrepreneurs: The second stage in the entrepreneurial process determines the percentage of adult population that have the potentiality to become an entrepreneur in the future. Potential Entrepreneurs are those who: see opportunities for starting a business in the area where they live; perceive that they have the necessary skills and abilities to create and manage a new business; and would not allow the fear of failure to prevent them from starting a business.

Intentional Entrepreneurs: The third stage in the entrepreneurial pipeline happens when the potential entrepreneurs express their intention of starting a new business alone or with others within the next three years.

Nascent Entrepreneurs: The fourth stage in the entrepreneurial pipeline happens when a person has started to undertake specific activities to set up a new business but is not at a point where any salaries, wages or any other remuneration has been paid to employees and/or owners for more than three (3) months.

New Entrepreneurs: The fifth stage in the entrepreneurial pipeline happens when the entrepreneur has been owning and managing a business that has paid salaries or any other remuneration to employees and/or owners for more than 3 months but for less than 42 months.

Established Entrepreneurs: The sixth and final stage in the entrepreneurial pipeline happens when a person has been owning and managing a new business that has survived for more than 42 months, paying salaries or any other remuneration to employees and/or owners.

4 MAIN RESULTS

The young entrepreneur (18-24 years old) and young adult entrepreneur (25-34 years old) will be analyzed using the entrepreneurial pipeline concept presented in section 3.5, comparing among countries and with respect to economy groupings and to some Latin American results. The aggregate figures for Barbados, Colombia, Jamaica (where applicable), and Trinidad & Tobago will be identified as Caribbean.

4.1 SOCIO-CULTURAL PERCEPTIONS ABOUT ENTREPRENEURSHIP

As indicated earlier, three elements are used to evaluate this first stage of the entrepreneurial pipeline: the percentage of youth that consider entrepreneurship is a good career perspective, the percentage of youth that consider that society attaches a high status to entrepreneurs, and the percentage of youth that considers that the media give proper coverage of entrepreneurs. Table 1 presents the data for each age youth groups in the Caribbean countries in 2012. Barbados did not measure these variables in 2012.

To get a single indicator for the socio-cultural perception, an arithmetic average of the three measures is obtained. Figure 4 shows the results for each country in 2011 and 2012 for all the youth population (18-34 years old).

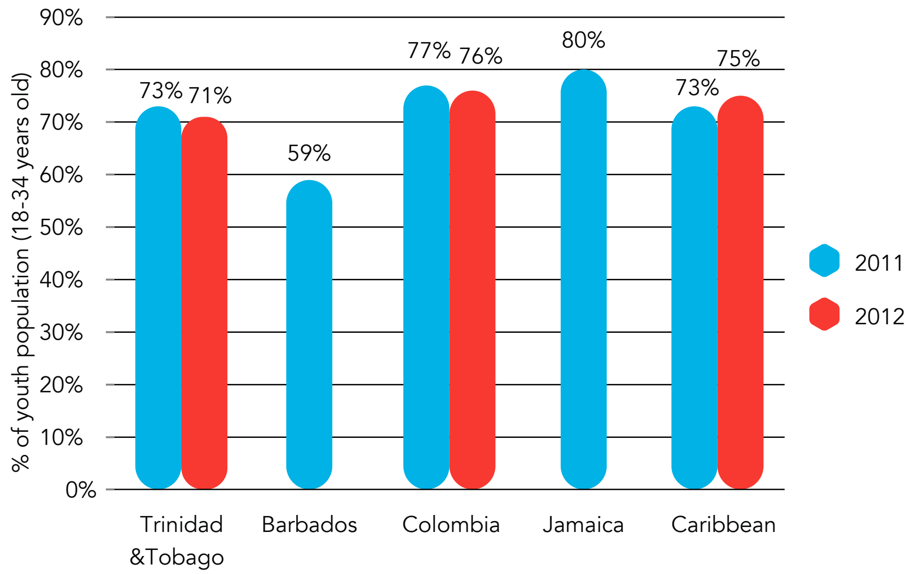
The values obtained in 2012 are high, compared with innovation driven economies (59%) and efficiency driven economies (66%) and very similar to factor driven economies (75%). The variations in Colombia and Trinidad & Tobago from 2011 to 2012 were small.

Table 1. Socio-cultural perceptions of young and young adult population. Caribbean 2012

	Good career		Status		Media coverage	
Age group	18-24	25-34	18-24	25-34	18-24	25-34
Colombia	87,5%	89,1%	72,2%	76,6%	63,4%	67,3%
Trinidad &Tobago	80,4%	77,7%	77,0%	73,5%	60,8%	59,1%
Caribbean	86%	86,8%	73%	76%	63%	65,6%

Source: Compiled by authors

Figure 4. Socio-cultural perceptions of youth population. Caribbean (2011-2012)



Source: Compiled by authors

4.2 POTENTIAL YOUTH ENTREPRENEURS

GEM measures the youth potential entrepreneurs as the percentage of young entrepreneurs (18-24 years old) and young adult entrepreneurs (25-34 years old) who have a positive perception about:

- Opportunities to start a business in the area where they live.
- Their capacities and skills to create and manage a new business.
- Their capacity to overcome the fear of failure (this one is evaluated as the complement of those who would be prevented from becoming entrepreneurs due to the fear of failure).

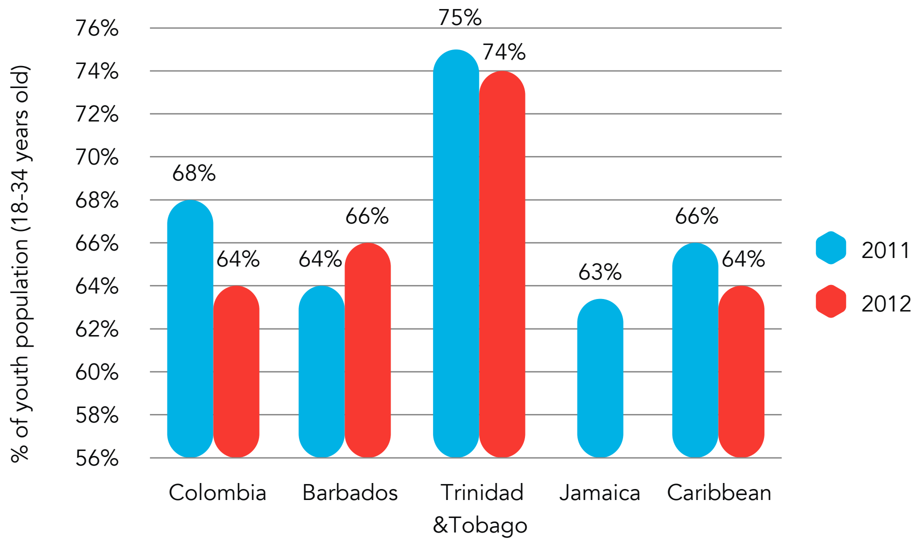
Based on these three percentages, an indicator for potential young entrepreneurs is developed as the arithmetic average of these percentages. Table 2, presents the results obtained in Trinidad & Tobago, Barbados and Colombia in 2012.

Table 2. Potential young entrepreneurs by components. (2012)

	Perceived opportunities		Perceived capabilities		Fearless of failure		Potential young entrepreneurs	
Age groups	18-24	25-34	18-24	25-34	18-24	25-34	18-24	25-34
Trinidad & Tobago	63,2%	60,0%	72,1%	83,6%	81,8%	80,9%	72,4%	74,8%
Barbados	50,1%	50,4%	61,4%	74,1%	78,7%	80,2%	63,4%	68,2%
Colombia	73,8%	67,8%	46,3%	58,6%	73,1%	66,7%	64,4%	64,4%
Caribbean	67,2%	63,5%	54,0%	65,6%	75,9%	71,6%	65,7%	66,9%

Source: Compiled by authors

Figure 5. Potential youth entrepreneurs. Caribbean (2011-2012)



Source: Compiled by authors

Trinidad & Tobago shows the highest proportion of potential "young" and "young adult entrepreneurs" (72,4% and 74,8% respectively) compared with the other Caribbean countries. Colombia has the lowest indicator in the 25-34 group (64,4%) and Barbados has the lowest indicator of potential young entrepreneurs in the 18-24 group (63,4%).

In relation to economy groupings, the results are very good for the Caribbean countries because they show higher values than the factor driven (58%), efficiency driven (54%) and innovation driven (43%) economies for the youth group (18-34).

Figure 5. shows the steadiness of the measurements in the Caribbean countries from 2011 and 2012.

When the results are compared with the total adult population, table 3 identifies no significant differences among youth and the general adult population.

The variables that define the potential youth entrepreneur are all a subject of development and it is important to analyze by educational level.

Table 3. Potential entrepreneur indicator. Caribbean 2012

	Youth population (aged 18-34)	Total adult population (aged 18-64)
Barbados	66%	67%
Colombia	64%	66%
Trinidad & Tobago	74%	73%
Caribbean	64%	68%

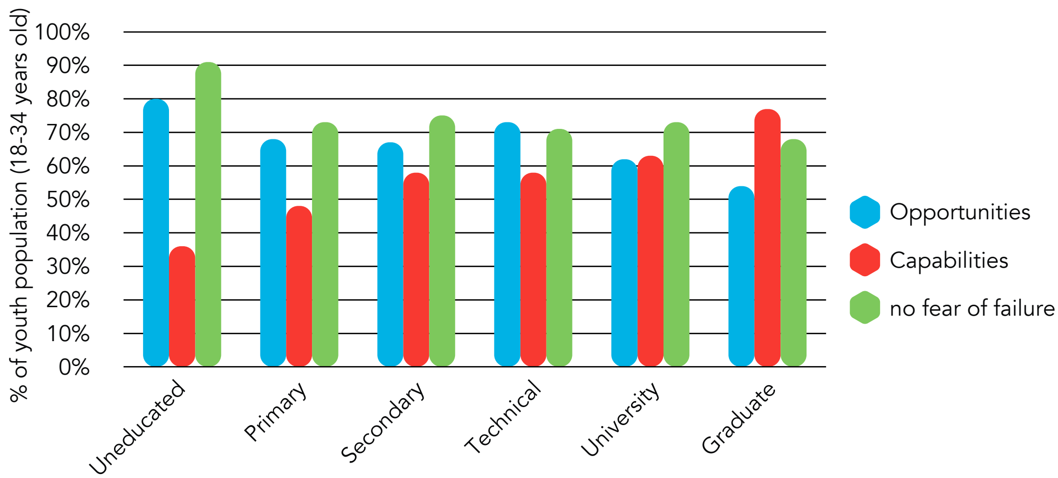
Source: Compiled by authors

Figure 6 shows, that for the youth population, as the educational level increases, so does the perception of capabilities and skills to create and manage, but, the ability to "see" opportunities for new businesses, in general tends to decrease as education level increases. Only technical education behaves differently.

A low fear of failure is much more evident among uneducated young population.

The entrepreneurial gender difference has been identified in GEM studies worldwide. Figure 7 presents the differences in fear of failure among youth males and youth

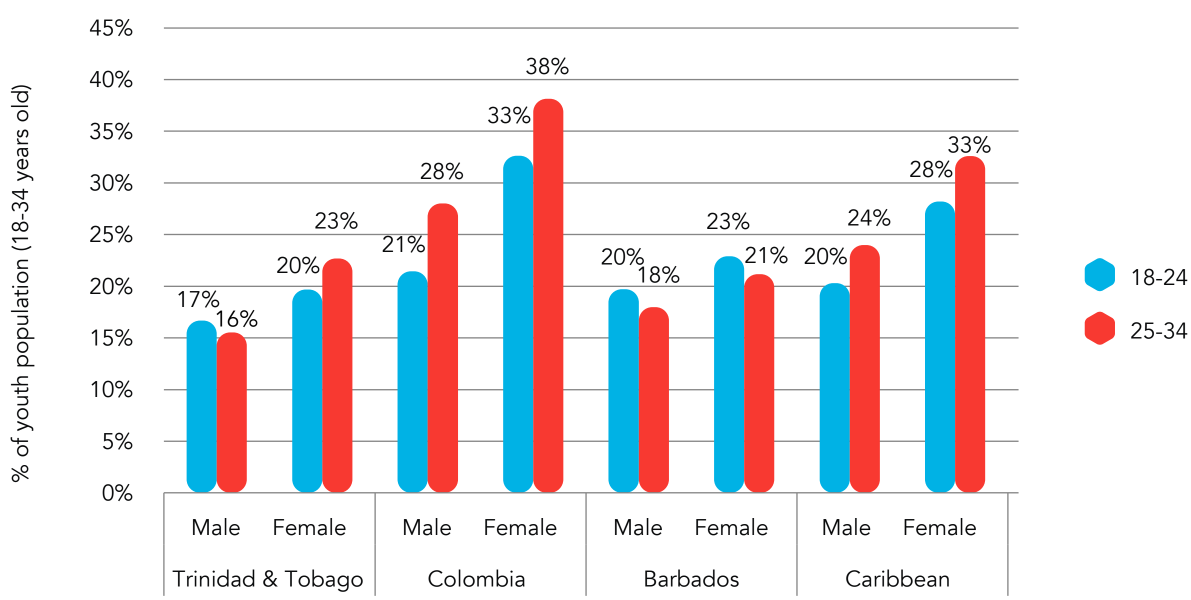
Figure 6. Perceived capabilities, opportunities and low fear of failure by education level in youth entrepreneurs. Caribbean 2012



Source: Compiled by authors

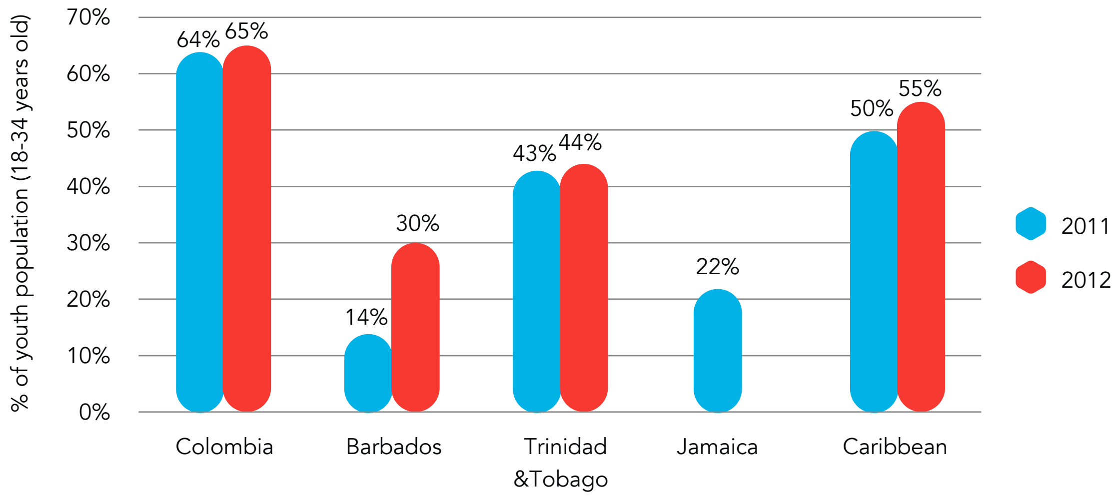
females in Caribbean countries by age group. In all of these countries, a higher percentage of females than males (18-24 and 25-34) have a fear of failure that would prevent them from starting a business. In the Caribbean region, the fear of failure among adult women in general is higher than among adult men; likewise, the fear of failure for the 25-34 groups is higher than for the 18-24 group. The most significant gender gap in fear of failure is in Colombia, where that data also show he largest gap in fear of failure rates between the 18-24 and 25-34 age groups, irrespective of gender. Barbados shows the smallest gaps, by age and gender, in fear of failure.

Figure 7. Fear of failure by age groups and gender. Caribbean 2012.



Source: Compiled by authors

Figure 8. Intentional youth entrepreneurs. Caribbean (2011–2012)



Source: Compiled by authors

Several policy implications could be derived from these results:

- The need to develop training programs to improve the capacity of youth females to be able to reduce their fear of failure, as well as to expose them to more successful women entrepreneurs as role-models.

- The importance to continue improving the overall level of education of Caribbean youth population, because it will improve their capacity to identify new opportunities and the confidence they have in their skills and ability to create and manage a new business.

- The importance of including entrepreneurial education at all education levels to boost the percentage of potential youth entrepreneurs in all the countries.

4.3 INTENTIONAL YOUTH ENTREPRENEURS

GEM measures the percentage of youth (18-34 years old) who are planning to start a new business alone or with others within the next three years.

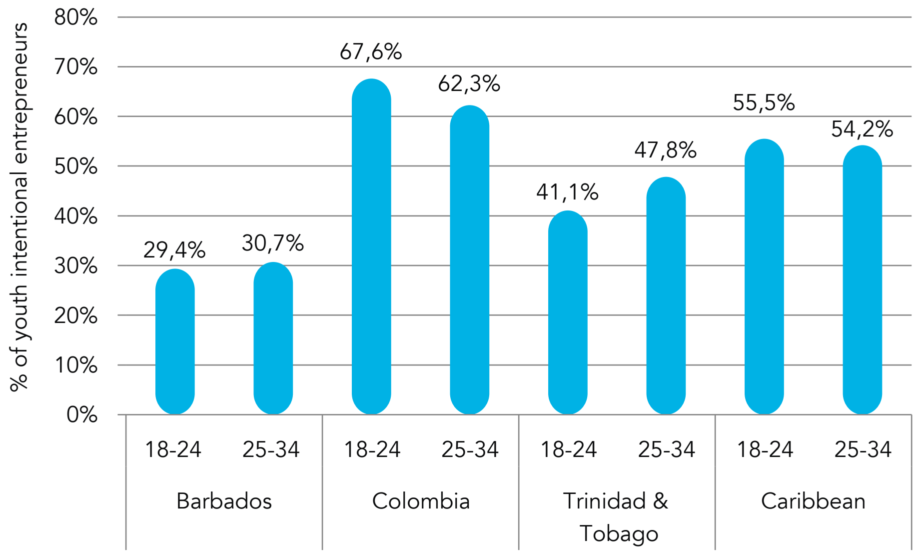
As figure 8 indicates, 2012 data show that the proportion of intentional youth entrepreneurs grew relative to 2011 data in the three countries. The biggest change occurred in Barbados where the percentage of intentional entrepreneurs increased from 14% to 30% although this is still low compared to the results for Trinidad & Tobago and Colombia.

When intentional entrepreneurs are analyzed in each age groups it is interesting observe that the trend across countries is varied, for example in Colombia, most of the intentional entrepreneurs are in the age group (18-24), but in Trinidad & Tobago the trend is different, most of the intentional entrepreneurs are in the age group (25-34). The differences between age groups in the Caribbean are no significative.

A gender gap also exists in the level of intentional youth entrepreneurs. As shown by figure 10, in all three countries, the intentional youth entrepreneurs propensity is high for males.

Across the Caribbean countries, the proportion of intentional youth entrepreneurs shows a small tendency to increase with level

Figure 9. Intentional young entrepreneurs and young adult entrepreneurs



Source: Compiled by authors

Figure 10. Rate of intentional youth entrepreneurs by gender. Caribbean countries (2012)

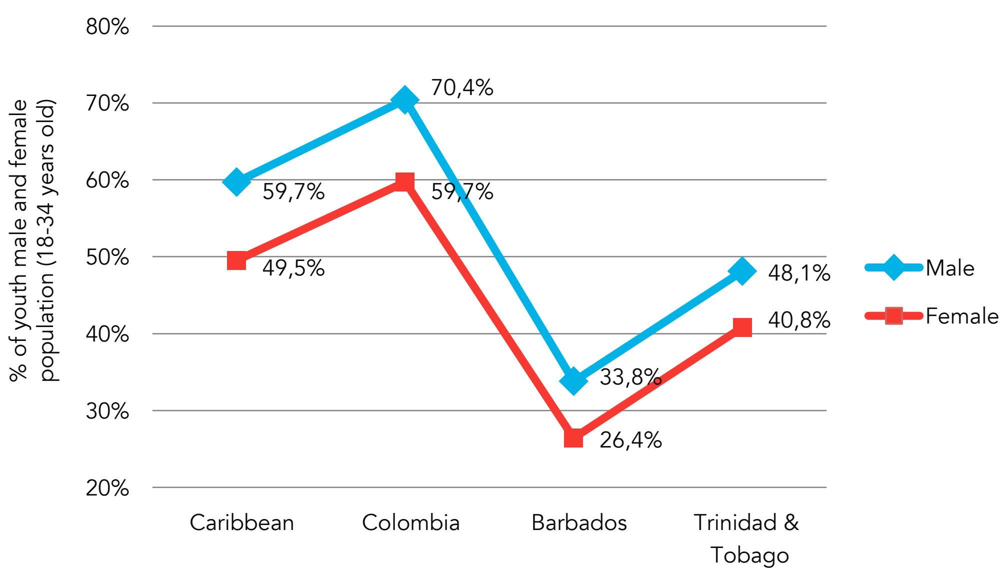


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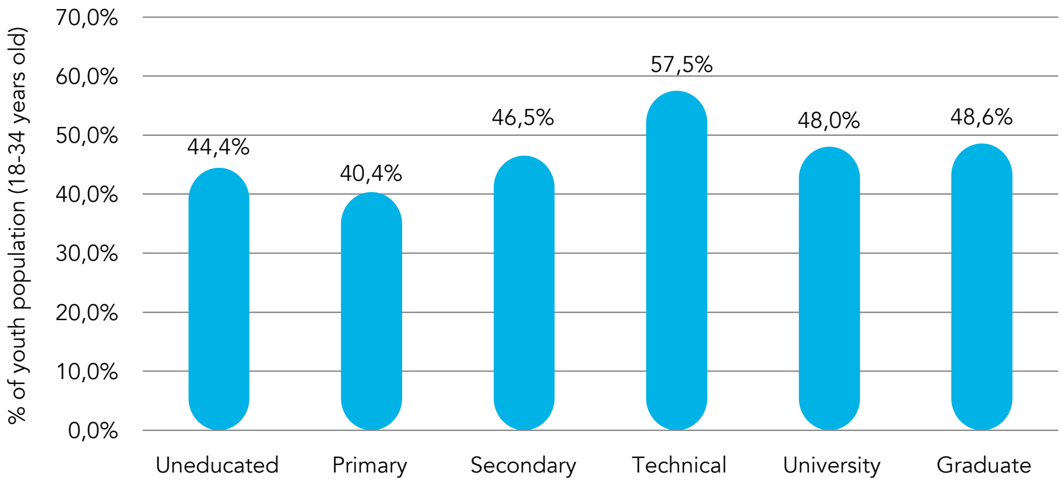
Figure 11. Intentional youth entrepreneurs by educational level. Caribbean 2012



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of education, but again tends to be highest for youth people with a technical education (Figure 11).

As indicated by Table 4, in all the three countries the intentional young entrepreneurs are very clear about their future. In the long term, almost all of them would prefer to run their own business rather than be employed by others. Only 2.2% of them express as their long term preference the idea of "being employed by other" or "no preference".

4.4 NASCENT YOUTH ENTREPRENEURS

In GEM, a nascent youth entrepreneur is a person who during the previous 12 months was actively involved in setting up a business they would own or co own, but the business had not yet paid salaries, wages or any other type of remunerations to employees or owner for more than 3 months. Figure 12 shows the results obtained in the Caribbean countries in 2011 and 2012.

The results for 2012 show a small decrease compared to 2011, except in Trinidad & Tobago where the percentage of youth nascent entrepreneurs dropped very significantly from 13% to 8%.

When nascent youth entrepreneurs are analyzed by age groups it is evident that in all Caribbean countries, most of the nascent youth entrepreneurs are in the 25-34 years group (figure 13).

When the gender situation is analyzed, Colombia and Trinidad & Tobago show a high-

Table 4. Intentional youth entrepreneurs by work preferences in a long-term. Caribbean 2012

	Colombia	Trinidad & Tobago	Barbados	Caribbean
Run your own business	99.3%	94.0%	86.4%	97.7%
Employed by others	0.7%	4.0%	0.0%	0.9%
No preference / It depends	0.0%	2.0%	13.6%	1.3%

Source: Compiled by authors

Figure 12. Nascent young entrepreneurs and nascent young adult entrepreneurs. Caribbean 2012

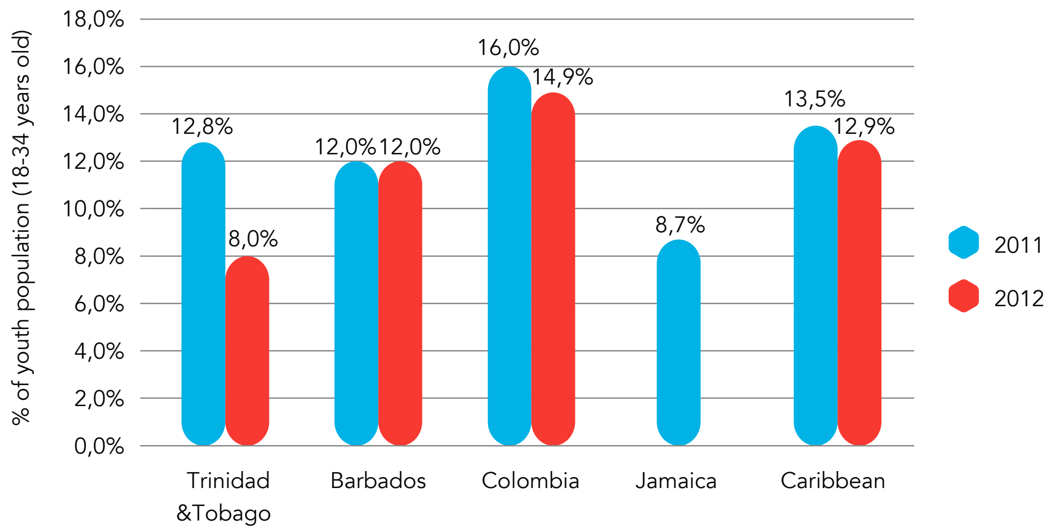

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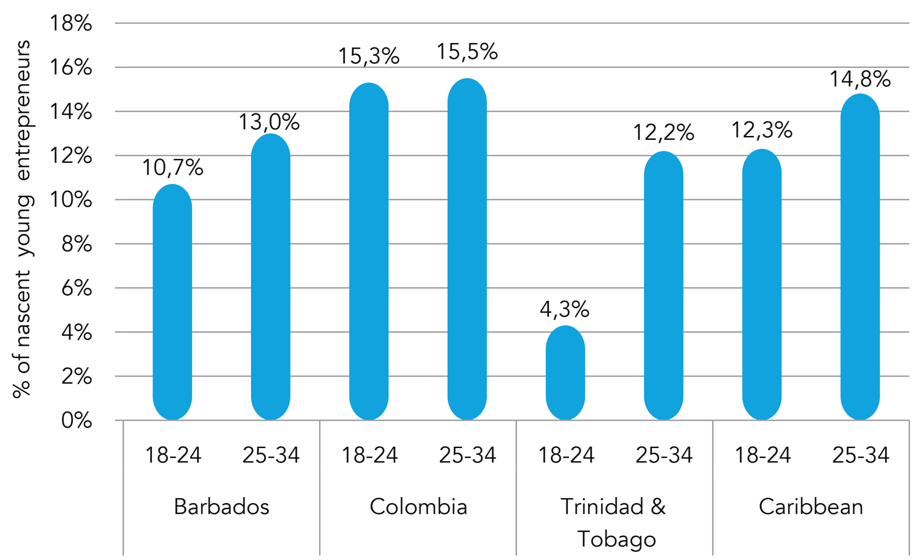
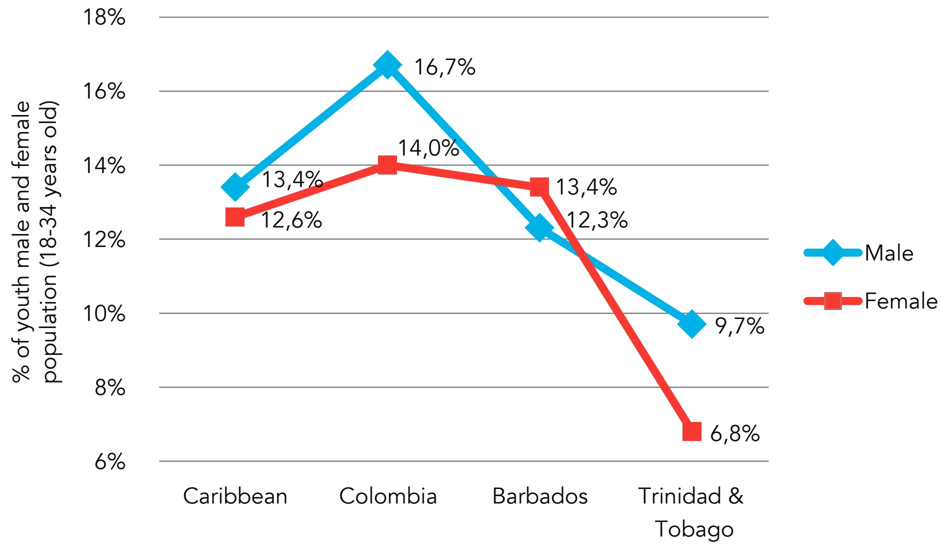
Figure 13. Nascent youth entrepreneurs. Caribbean (2011- 2012)



Source: Compiled by authors

Figure 14. Nascent youth entrepreneurs by gender. Caribbean 2012



Source: Compiled by authors

er propensity of nascent entrepreneurs in the youth male group, with the largest gender gap in Trinidad & Tobago (Figure 14). In Barbados, the nascent entrepreneur rate among youth females is slightly higher than among males.

In terms of the start-up actions of nascent youth entrepreneurs in the Caribbean countries, some important elements were identified

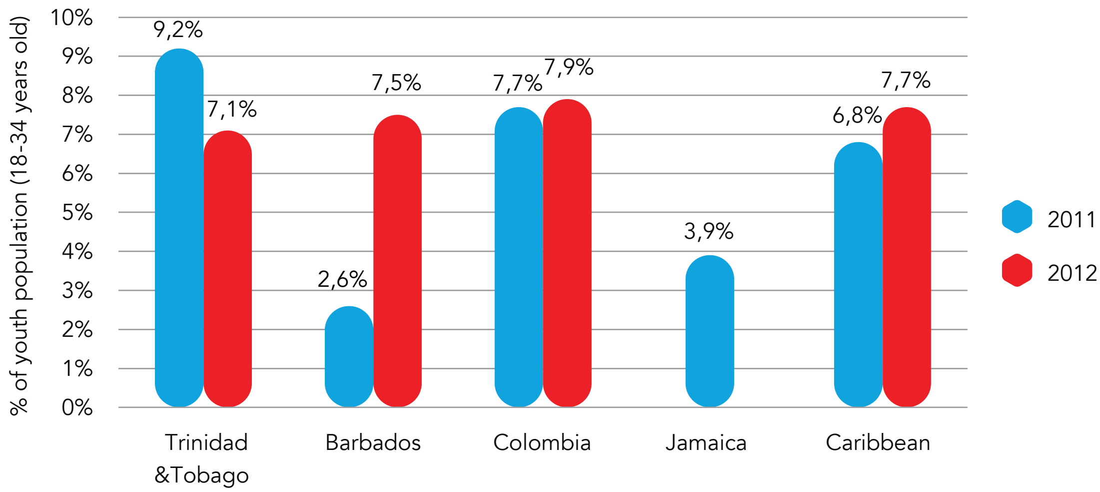
- 80.8% have already made their first sale.
- 40.8% of them made their first sale in the last three months, 15.0% made it between the last 3 and 6 months, 13.6% made it between 6 and 12 months ago, and finally, 30.6% made their first sale more than 12 months ago.
- 95.5% have clearly defined the product or service that they will offer.
- 60.4% have a business plan.
- 39.7% have established contact with other people to finance their business.
- 50.3% have a support group for the development of their business.
- 37.9% already have purchased machinery, equipment, inputs, implements for their business.
- 35.9% already have bought raw material, inputs, products or services from suppliers.
- 24.9% consider that their enterprise is in operation.

It is interesting to observe that even though the proportion of nascent entrepreneurs is very high in the Caribbean region, a significant proportion of them (76%) consider that they are not in an operational level even though they have made some sales of their product/ services.

4.5 NEW YOUTH ENTREPRENEURS

In GEM, a new youth entrepreneur is a person who has been owning and managing a business that has paid salaries, wages or any other type of remunerations to employees or owner for more than 3 months but less than

Figure 15. New youth entrepreneurs. Caribbean (2011- 2012)



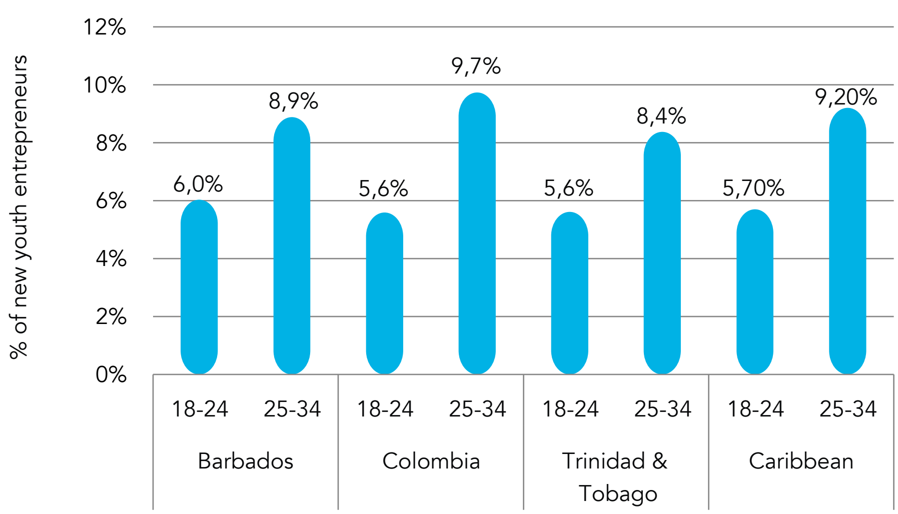
Source: Compiled by authors

42 months (3.5 years). Figure 15 shows results obtained for the Caribbean countries.

Barbados shows a very significant variation (increase) from 2011 to 2012, which is a very good signal not only because it gets much close to the level in the other Caribbean countries, but also because it is a strong signal for a future increase in the percentage of established businesses. The overall Caribbean indicator also shows an important increase in the percentage of youth reaching the "new entrepreneurs" stage, due to the Barbados increase.

Figure 16 presents the propensity of each age groups to become a new entrepreneurs. The trend is equal than the nascent young entrepreneurs, most of them are concentrated in the 25-34 age group.

Figure 16. New young entrepreneurs and new young adult entrepreneurs. Caribbean 2012



Source: Compiled by authors

New youth entrepreneurs in Caribbean have taken the following actions:

- 94.4% have already made their first sale.
- 98.8% consider that they have defined the product and/or the services they have for their customers.
- 63.3% have a business plan.
- 48.8% have had a meeting with banks and other financial sources to search for financial resources.
- 48.8% have a support entrepreneurial group (mentors, partners, advisors, etc.)
- 69.6% have purchased machinery, equipment, inputs, implements for their business.
- 73.3% have bought raw material/products or services from suppliers.
- 90.4% consider that their enterprise is in operation.

4.6 TOTAL EARLY YOUTH ENTREPRENEURIAL ACTIVITY (YOUTH TEA RATE)

Combining GEM data for the nascent and new youth entrepreneurs, provides the indicator for the total early-stage youth entrepreneurial activity rate (the youth TEA rate).

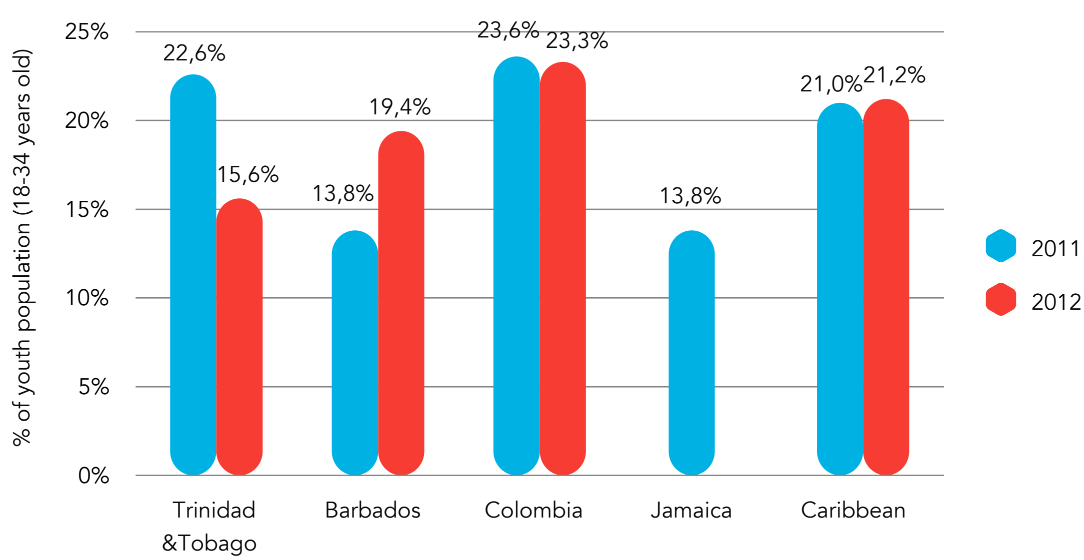
Figure 17 presents this TEA rate for each of the Caribbean countries and the Caribbean average, for 2011 and 2012.

It is interesting to compare this data, with the TEA rate for the whole adult population in each country.

Table 5 presents the results, which indicate that the youth age groups have a higher entrepreneurial propensity than the overall population.

Figure 18 presents the gender gap that exists in the youth TEA rate in 2012. Trinidad & Tobago with a male/female ratio of 1,42:1 has the largest disparity and Barbados with ratio of 1,1:1 has the highest level of gender equality in TEA rates.

Figure 17. TEA rate for youth population. Caribbean (2011- 2012)



Source: Compiled by authors

Table 5. TEA for youth and total adult population by country. Caribbean (2011–2012)

	2011		2012	
	TEA Youth (18-34)	TEA Total (18-64)	TEA Youth (18-34)	TEA Total (18-64)
Barbados	13,8%	12,6%	19,4%	17,1%
Colombia	23,6%	21,4%	23,3%	20,1%
Jamaica	13,8%	13,7%	-	-
Trinidad & Tobago	22,6%	22,6%	15,6%	14,9%
Caribbean	22,0%	20.2%	21,3%	18.6%

Source: Compiled by authors

4.7 ESTABLISHED YOUTH ENTREPRENEURS

Established youth entrepreneurs refers to those persons between 18-34 years old, who have been managing their own enterprise and paying salaries or other kind of remunerations for more than 42 months.

Figure 19 shows the percentage of youth people that are actually established entrepreneurs in 2011 and 2012. All of the countries show an increase in the proportion of youth people who are now established entrepreneurs. This is a very good indication because its shows that youth people are increasingly getting to the final stage of the entrepreneurial pipeline and generating new value to the economy.

Figure 20 shows that while only 1.8% of young population (18-24) has propensity to become in established young entrepreneurs, 5.8% of young adult entrepreneurs (25-34) has a propensity to be an established young entrepreneur. In most of the stages in the en-

Figure 18. Youth TEA rates by gender. Caribbean 2012

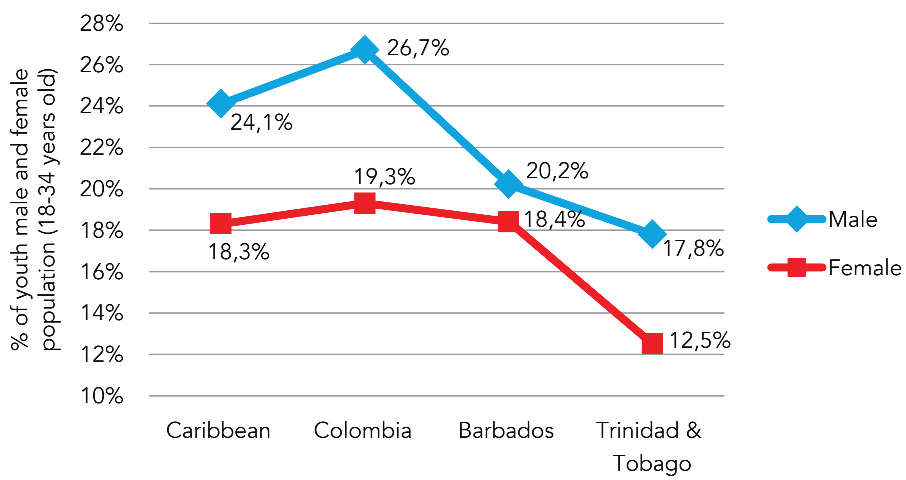


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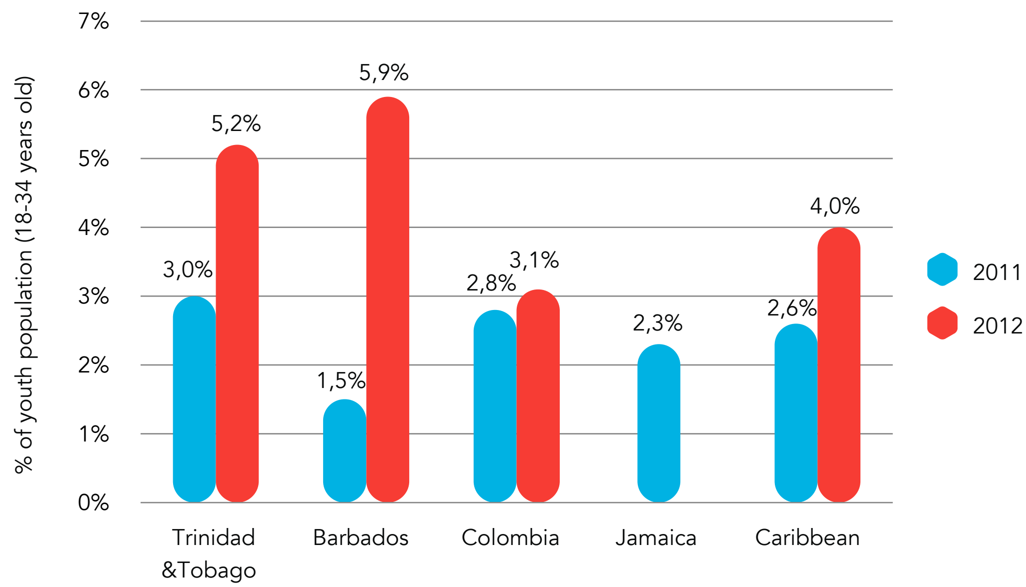
Figure 19. Established youth entrepreneur rate. Caribbean (2011- 2012)



Source: Compiled by authors

Figure 20. Established young entrepreneurs and established young adult entrepreneurs. Caribbean 2013.

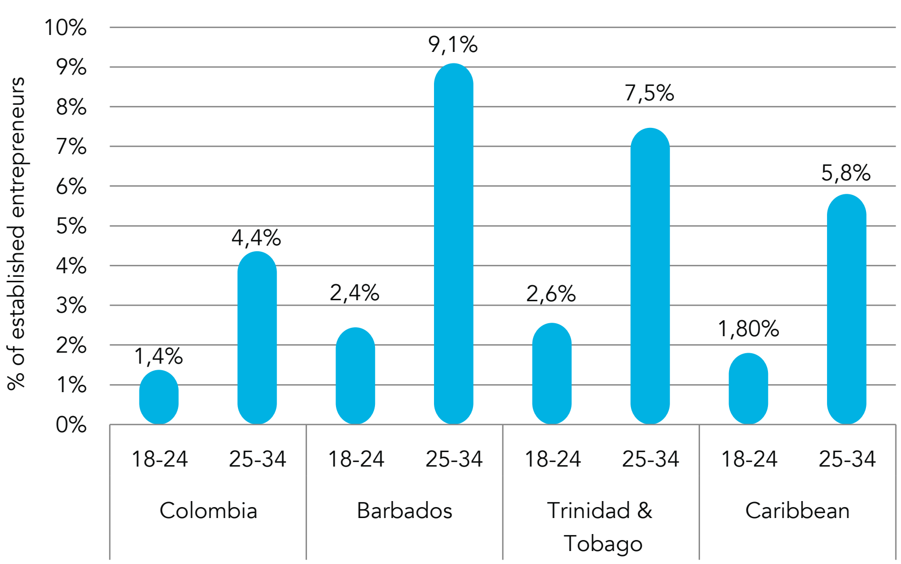


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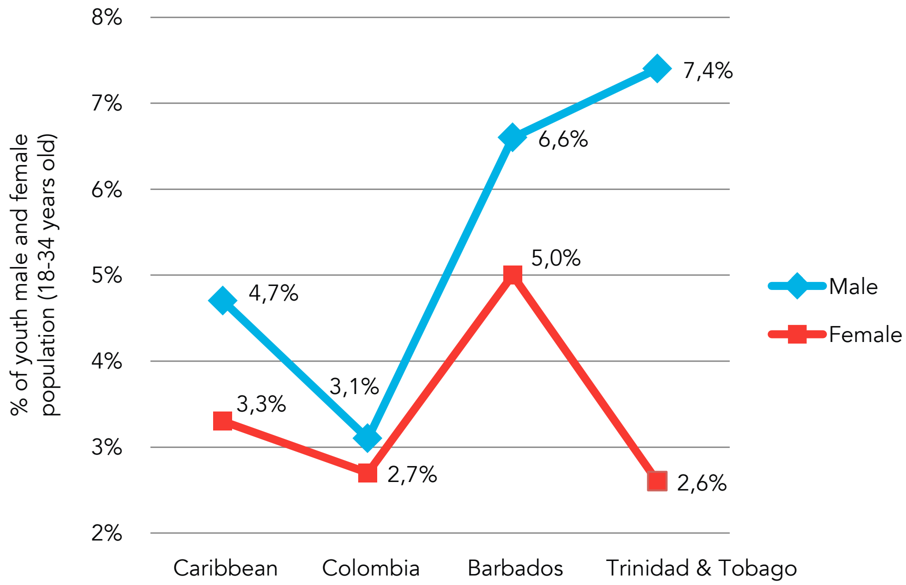
Figure 21. Established youth entrepreneur rate by gender. Caribbean 2012

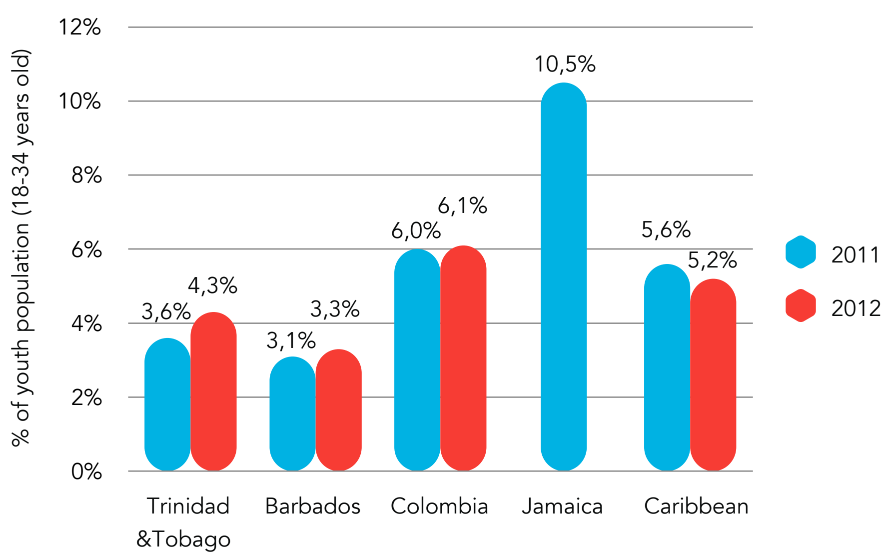


Source: Compiled by authors

trepreneurial pipeline, people between 25 and 34 year have a higher propensity to be involved in entrepreneurial activity than population between 18 and 24 years old.

Figure 21 presents the percentage of established youth entrepreneurs in 2012 by gender, which again shows significant differences. Trinidad & Tobago with a ratio male/female of 2,84:1 has the gender highest disparity and Colombia with a ratio of 1,15:1 has the smallest gender gap.

Figure 22. Youth discontinuous entrepreneurs. Caribbean (2011- 2012)



Source: Compiled by authors

4.8 DISCONTINUOUS YOUTH ENTREPRENEURS

This aspect is important to be analyzed, with due care, because even though it is measured as the proportion of youth people that has discontinued an entrepreneurial initiative in the last 12 months, it does not necessarily measure failure of the business. A discontinuing entrepreneur is defined by GEM as a persona who sold, shut down, discontinued or quite a business they owned and manage (including any form of self-employment, or selling goods or services to anyone).

The discontinuance rate is due to several factors including market and financial failure of the business, the entrepreneur's personal dissatisfaction with the activities required to keep the business in operation, as well as many other factors.

The data for 2011 and 2012 presented in figure 22 shows no significant variations in this indicator between the two years.

There are also gender differences in the rate of discontinuing entrepreneurs in all the countries (Figure 23), but two different behaviors were found: In Colombia the discontinuance rate is higher for female, whereas in Barbados and Trinidad & Tobago is higher for male. In the aggregate figure for the Caribbean, the rate of discontinuing entrepreneurship is higher among youth females than youth males.

Table 6 present the discontinuance rates for each age group in the three countries and an in the Caribbean region. Even though the public in general may have the idea that young people present higher discontinuous rate, the data shows quite a different perspective, except in Barbados. The young adults in general (except in Colombia) present the highest discontinuance rate of all the group.

Table 6. Discontinuous entrepreneurs for young entrepreneurs, young adult entrepreneurs and adult entrepreneurs. Caribbean 2012.

	18-24	25-34	35-64
Colombia	5,7%	6,3%	7,3%
Trinidad & Tobago	2,0%	6,3%	4,6%
Barbados	2,7%	3,9%	2,4%
Caribbean	4,4%	5,9%	5,9%

Source: Compiled by authors

Figure 23. Discontinuous entrepreneurs by gender (2012)

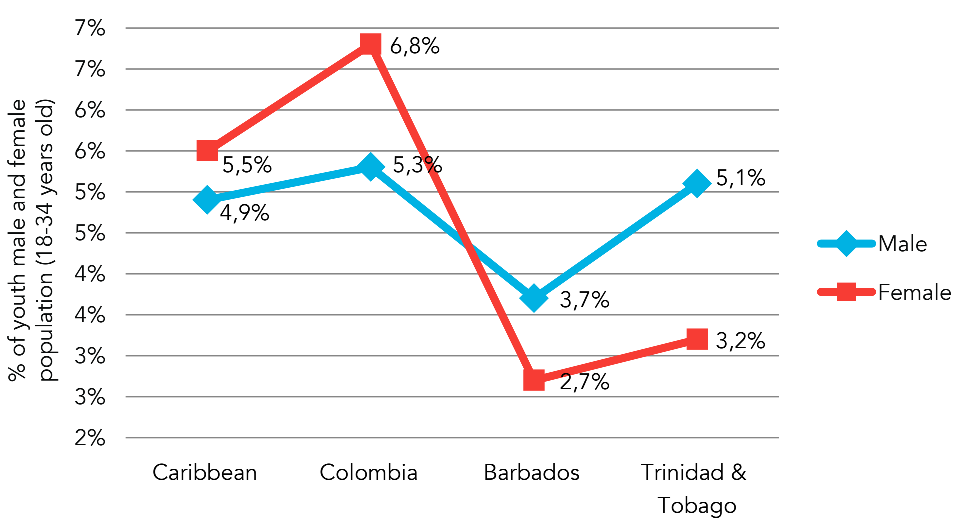


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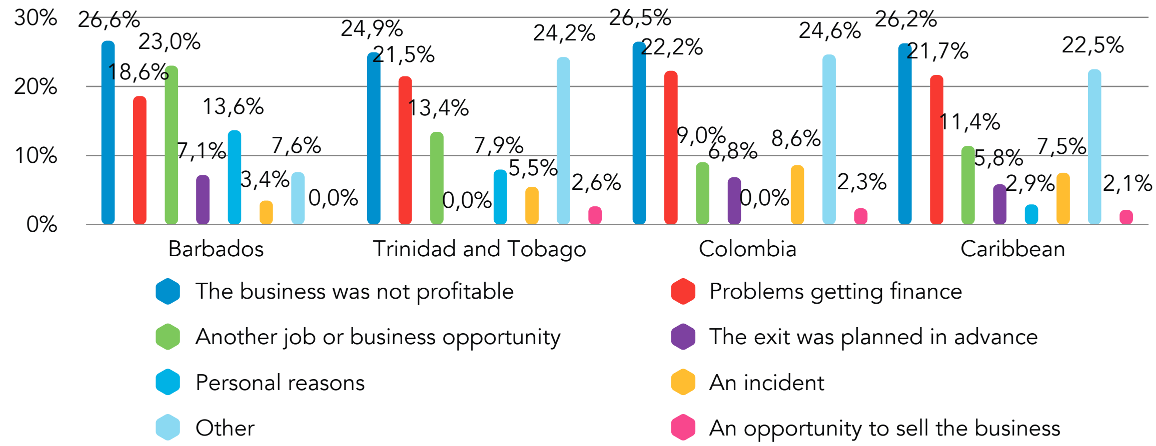
Figure 24. Reasons for youth entrepreneurs exit. Caribbean 2012.



Source: Compiled by authors

Figure 24 shows the main reasons for business discontinuance in the last 12 months for the youth in the three countries. For the whole Caribbean region it was found that: 26% of the cases are due to the business not being profitable, 21 % to problems in getting finance and 15% because the entrepreneurs decided to take another job or pursue another business opportunity.

Again, there is a need to orient and better train the new entrepreneurs to allow them to obtain the skills required to manage the new business, have a better entrepreneurial vision and be able to identify and study the opportunity. By including these skill sets in entrepreneurship development programs, much of the discontinuance cases might be avoided. In addition, access to finance is a major constraining factor and needs to be addressed.

4.9 THE YOUTH CARIBBEAN ENTREPRENEURIAL PIPELINE

When all the previous measurements for the different stages of the entrepreneurial pipeline are identified, it is possible to develop infograms for youth people (18-34 years old) and for adults (35-64 years old) as shown in figure 25 and figure 26.

Figure 27 show the entrepreneurial pipeline for young (18-24), for young adults (25-34), and for total adult population (18-64) in the Caribbean region.

- The entrepreneurial pipeline for these different categories shows a low variation in the scores between categories. The social perception oscillates between 76.1% and 74%, the potential entrepreneurs from 69% to 65.7%, the intentional entrepreneurs from 47% to 55.5%, the nascent entrepreneurs from 12% to 14.8%, the new entrepreneurs from 5.7% to 9.2%, the established entrepreneurs from 1.8 to 9%.
- There are a significative difference between youth entrepreneurs and the total adult population in some stages of the entrepreneurial pipeline. In the intentional entrepreneurs stage, the total adult population presents the lowest percentage than the other groups (young and young adult), however, in the established entrepreneurs stage, the total adult population obtained a higher percentage than the young groups.

It is possible to observe that adults (35-64) have better scores only in socio-cultural perceptions about entrepreneurship and in the

Figure 25. Entrepreneurial pipeline for youth population (18-34). Caribbean 2012.

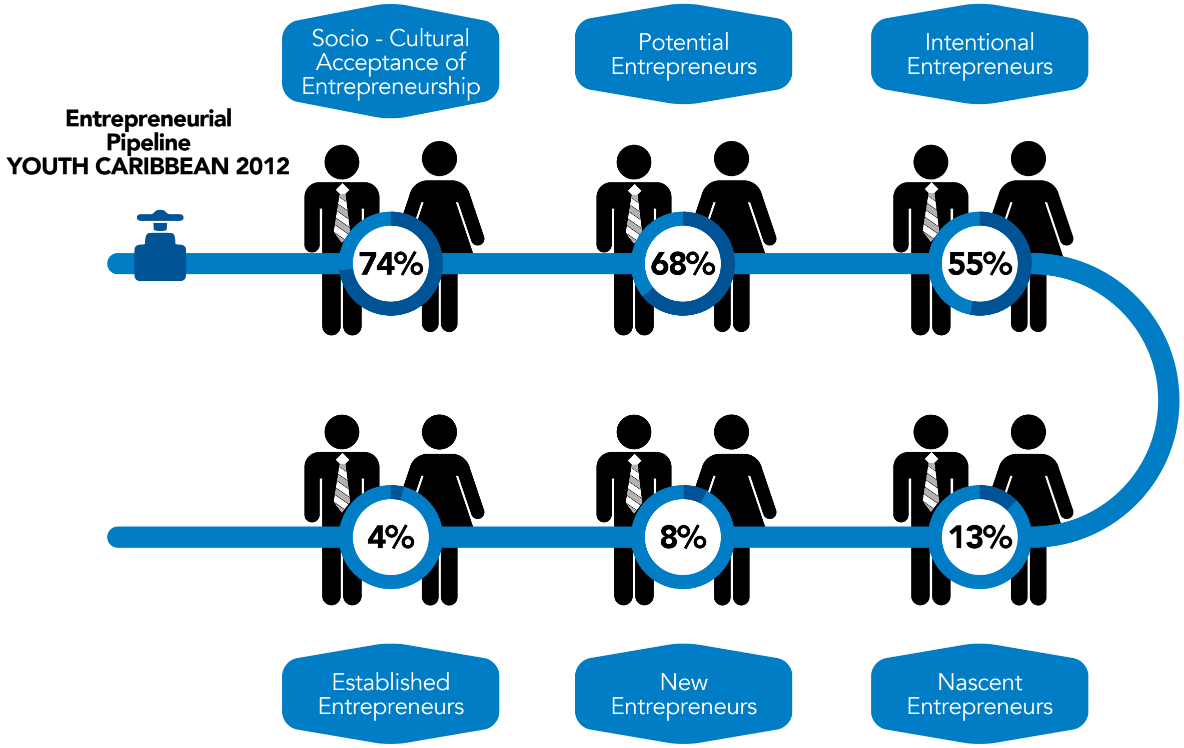


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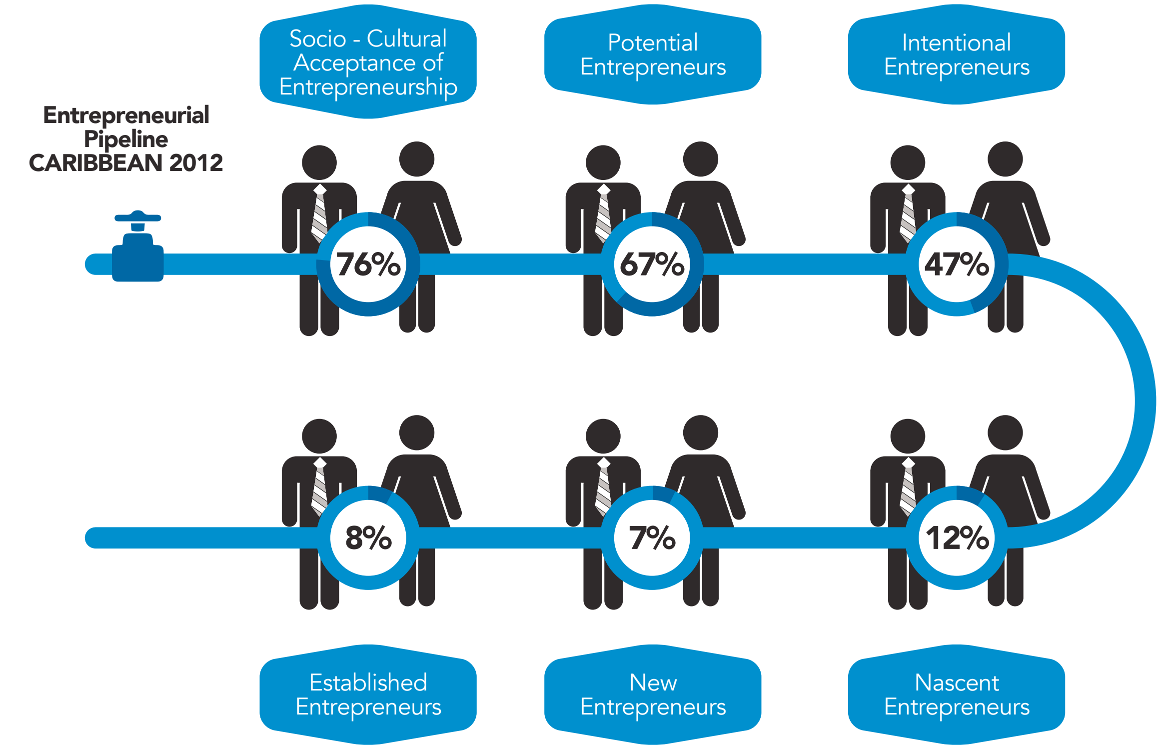
Figure 26. Entrepreneurial pipeline for adult population (35-64). Caribbean 2012



Source: Compiled by authors

rate of established business ownership. In all of the other stages, the youth population (18-34) shows better indicators. This more positive orientation of the young population indicates that they are progressing better along the pipeline, and less efforts are lost (less leakage) along the pipeline.

Figures 28 and 29 present the Caribbean entrepreneurial pipeline for young males and females integrating all the gender analysis results for the different stages. From these figures it is clear that:

- The indicator for social acceptance of entrepreneurship stage is the only case for which youth females have higher values than youth males.
- Except in the nascent entrepreneur stage, where the values are equal. Youth males have higher entrepreneurial propensities than the youth females.
- More in-depth research is needed to identify the causes underlying the gender disparities along the entrepreneurial pipeline. This research should provide the fundamental information to design a comprehensive entrepreneurship development policy for women that includes educational and training programs, career plan development, opportunity identification, entrepreneurial competences, financing schemes, and lots of mentoring and follow up. The objective would be to increase the level of entrepreneurial activity among women and to showcase successful examples that would be motivational and inspiring for other women.

Figure 27. Entrepreneurial pipeline for young males (18-34). Caribbean 2012.

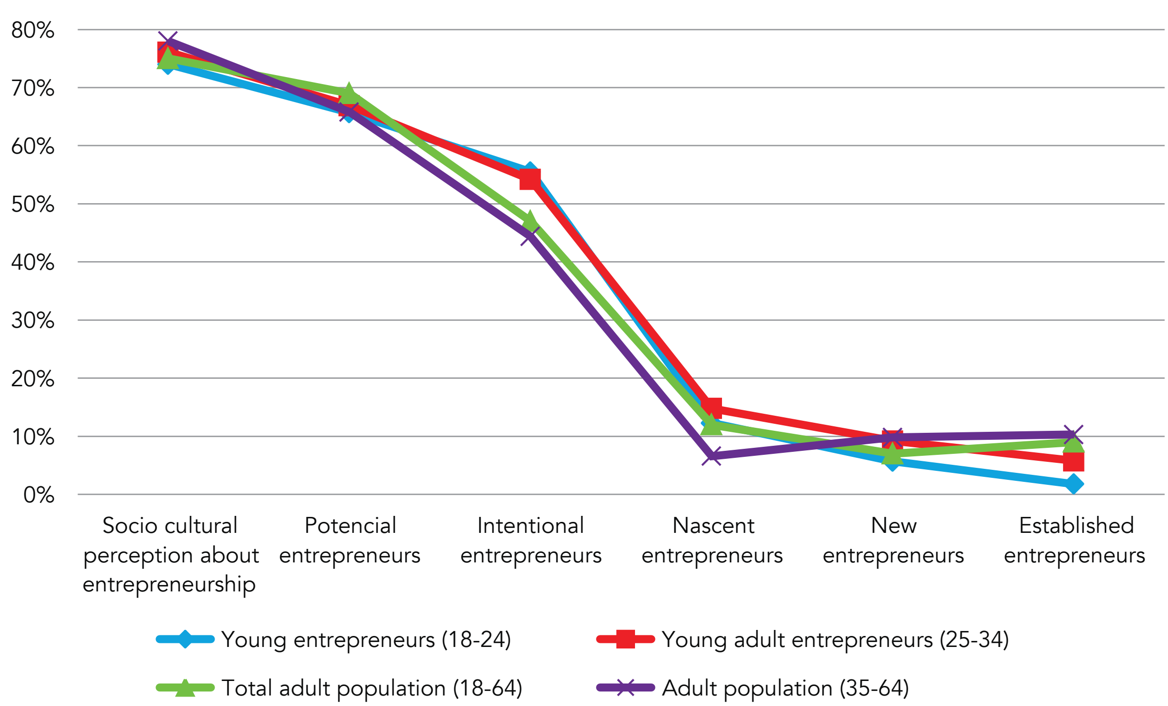


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Figure 28. Entrepreneurial pipeline for young females (18-34). Caribbean 2012.

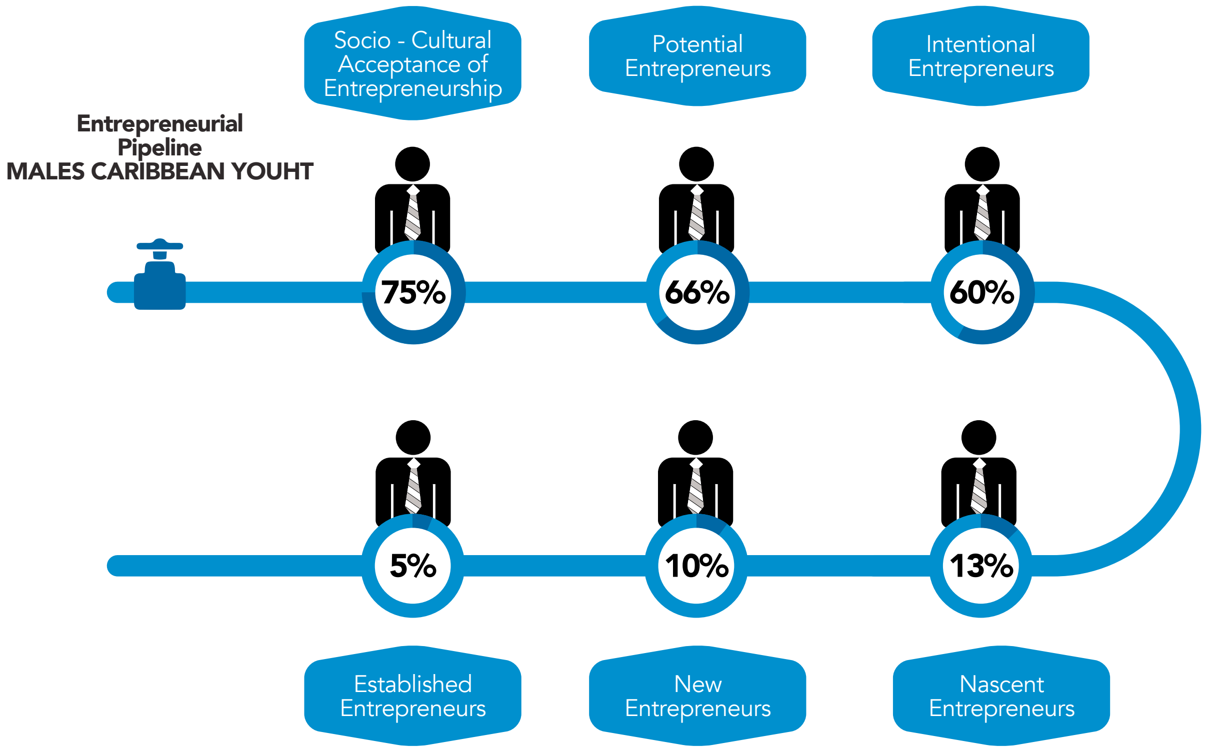

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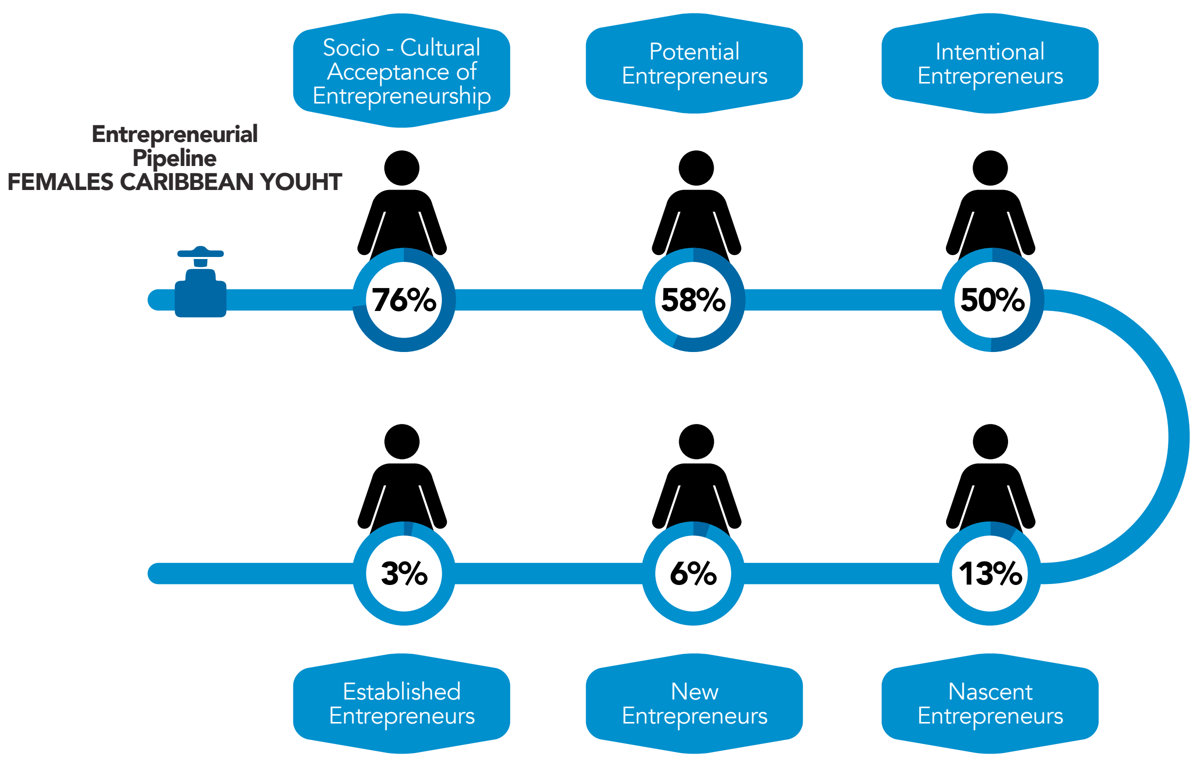
Figure 29. Entrepreneurial pipeline for young females (18-34). Caribbean 2012.



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5

YOUTH CARIBBEAN ENTREPRENEUR PROFILE

Other important aspects of GEM data enable the possibility of identifying different elements to characterize entrepreneurs. This analysis will cover the persons classified as nascent and new entrepreneurs (TEA entrepreneurs) and the persons classified as established entrepreneurs.

5.1 AGE

One important variable in the entrepreneurial process is to study the effect that age may have in the propensity to develop new entrepreneurial initiatives, and also identify the distribution of the established entrepreneurs in terms of their age.

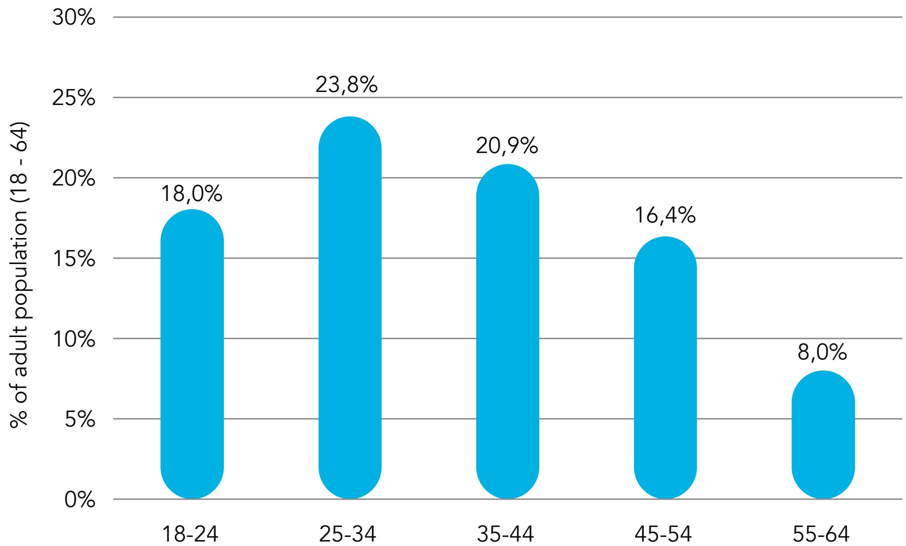
Figure 30 presents the data for Caribbean region in 2012 in terms of the propensity that every age group has toward entrepreneurship. The age group with the highest propensity is the 25-34 age-group, with a TEA rate of 23.8%, which means that 23,8% of the adult population between 25-34 years of age, is involved in the early stages of entrepreneurial activity (Nascent and New entrepreneurs).

The young population (18-24) and the adult young population (25-34) show a relatively high propensity toward early-stage entrepreneurial activity in the Caribbean region, which challenges the myth that entrepreneurship is the domain of the middle-aged population. These results also indicate the significant relevance of targeting youth people for development and support programs in any entrepreneurship development policy.

Figure 31 presents the percentage of established entrepreneurs (owners of business that are more than 42 months old) in the adult population by age group. This shows that the rate of established business ownership is highest among the 45-54 age group (13.1%).

The much lower rates among the two youngest age groups is understandable because they have less time to develop business that are more than 42 months old, particularly in the 18-24 age group.

Figure 30. Total early entrepreneurial activity by age group. Caribbean 2012



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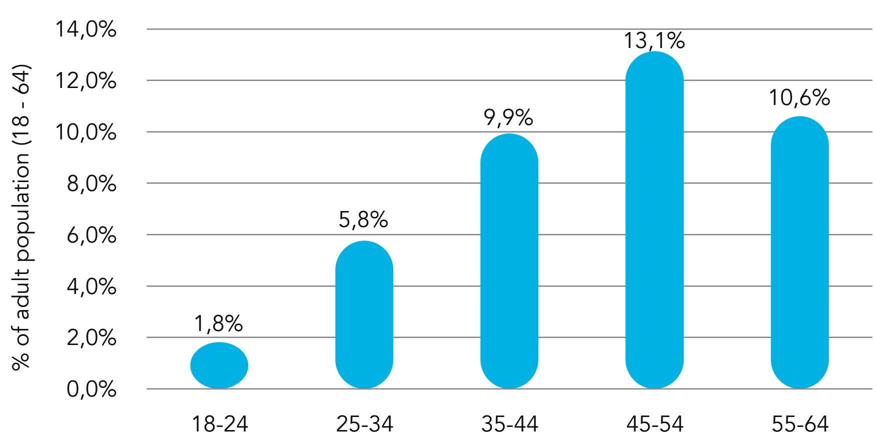
5.2 MOTIVATION FOR STARTING THE BUSINESS

One very important aspect of the entrepreneurial process is to understand the motivation that drives the young entrepreneur, when he or she decides to start a new entrepreneurial activity. GEM considers two basic sets of motivations: "necessity motivation" is understood as "no better choice for work" and "opportunity motivation" is understood as "taking advantage of a business opportunity". Between these two extremes, entrepreneurs may be motivated by a combination of these influences based on their circumstance.

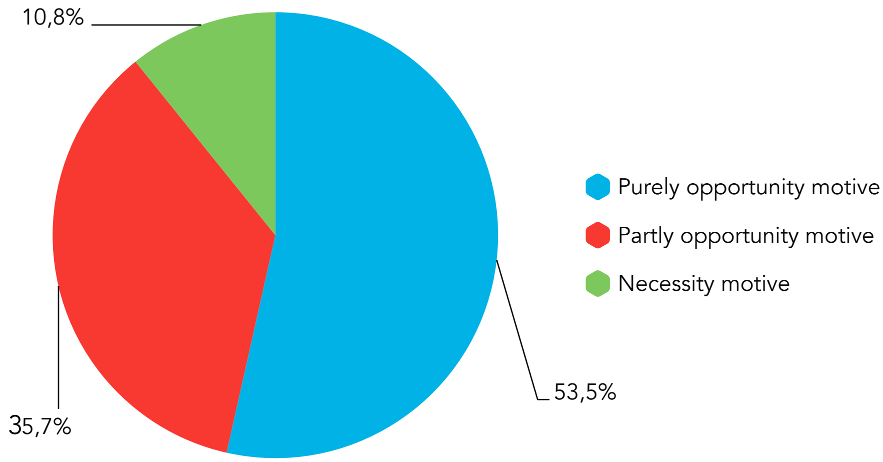
When GEM applies the motivational category of "Improvement-driven opportunity" (Composed of those who are opportunity

Figure 31. Established entrepreneurs rate by age group. Caribbean 2012



Source: Compiled by authors

Figure 32. Motivations of nascent /new youth entrepreneurs. Caribbean 2012



Source: Compiled by authors

driven, but, in addition are motivated by desire for greater independence, in their work or seek to maintain or improve their income), 89.2% of the Caribbean youth entrepreneurs (nascent and new) were motivated by opportunity (purely or partly), and the proportion is distributed as follows: Colombia 90.2%, Barbados 88.3%, and Trinidad & Tobago 85% (figure 32). Kew et al. (2013), indicates that 80.2% of entrepreneurs in the Latin America & Caribbean region were driven by opportunity (purely or partly).

The proportion of Caribbean youth entrepreneurs motivated mainly by necessity has decreased very significantly in the last two years, moving from 20% in 2011 to 10.8% in 2012.

This trend may be caused by improvements in the socio-economic conditions, but also may be the result of a cultural bias that is moving people to avoid the "necessity" as an explanation of their entrepreneurial activity. A more detailed research is needed to understand the motivations that drive the entrepreneurs in the Caribbean region

Figure 33. Necessity driven in nascent/new entrepreneurs by age. Caribbean 2012

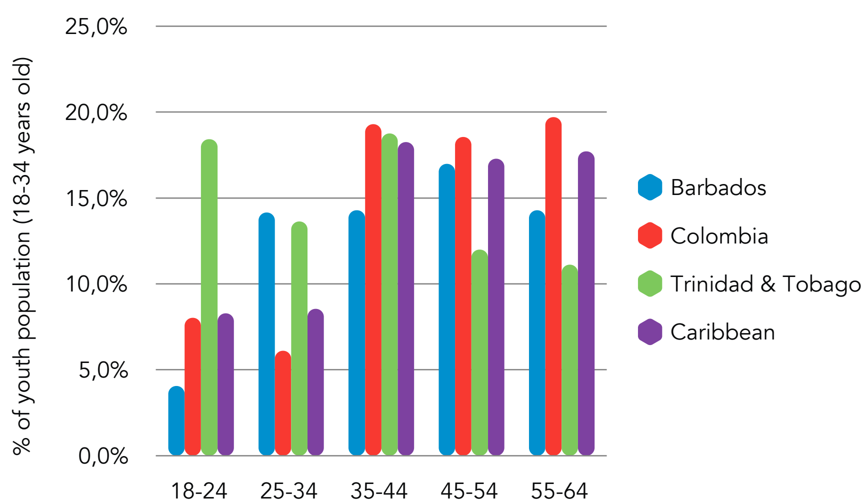


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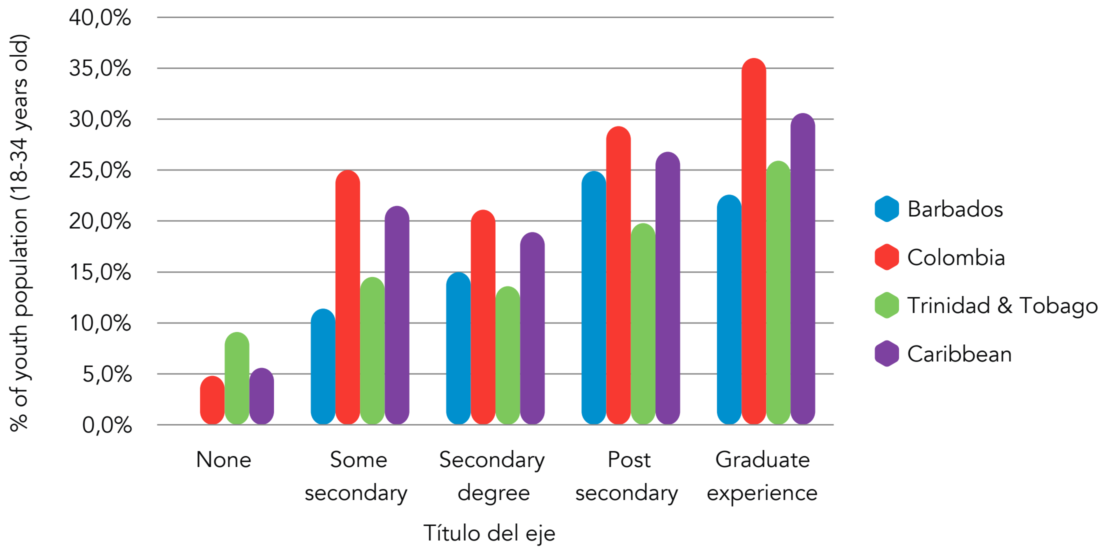
Figure 34. Nascent/new entrepreneurial activity propensity by educational level (18-34 age group). Caribbean 2012



Source: Compiled by authors

The increase in opportunity-driven entrepreneurship is a very positive sign, which may help to avoid in the near future, the significant loss that the youth entrepreneurship is having going from the nascent to the new entrepreneur stages defined in the entrepreneurial pipeline. It is necessary not only keep improving the opportunity motivation of the youth nascent and new entrepreneurs, but also to improve the training and the support system to allow the entrepreneurs to be able to harvest the opportunities they are identifying.

In the case of necessity driven entrepreneurs, it is very important to develop programs that allow them to identify better their business initiatives, to manage them better, and in general to be able to design to a real business opportunity.

Figure 33 shows that the necessity-driven motivation is substantially higher in the older age groups (except in the case of Trinidad & Tobago). The loss of jobs, the difficulty to get a new job at an older age, and the lack of resources for retirement, may be some of the causes behind these different results. The idea of program in senior entrepreneurship is something that should be considered.

5.3 EDUCATION

Entrepreneurial competencies are developed through learning and practical experiences. One important variable to examine is the relation between TEA rates and the level of formal education as well as the basic motivation to start a business.

Figure 34, which present the TEA rate by educational level (for the youth population (18-34)), shows a trend of rising TEA rates with increases in the level of education, except at the graduated level.

The graduate level may be composed of people who have had the opportunity to secure attractive paid positions, and for that reason have not yet oriented their competences toward the business creation process. It is important to recognize that most of the graduate programs in the Caribbean region have not already included entrepreneurial orientation and entrepreneurial courses in their curricula.

Another important hypothesis to test is whether there is a relationship between level of education and a necessity-driven motivation for starting the business. Table 7 shows that the propensity of youth entrepreneurs (nascent and new) to be motivated by necessity is higher for those with the least education (e.g. a third of this group start business out of necessity) and lowest for the most highly educated early-stage youth entrepreneurs.

Table 7. Necessity driven motivation for starting the business versus educational level (youth entrepreneurs (18-34 age group)). Caribbean 2012

Educational level	Propensity
None	33%
Some secondary	5%
Secondary degree	12.3%
Post secondary	5.6%
Graduate experience	1.8%

Source: Compiled by authors

It is very important to observe the low necessity-driven figure for those with graduate level. These results show in one side how the lack of education may get the youth in so difficult situations that they have to start business motivated by necessity and in others side that at higher educational level, the youth will be more prone toward analyzing better the opportunities.

5.4 LABOR SITUATION

The GEM survey asked about the work status of the responding adults at the time of the interview. Table 8 shows that 48.6% of youth population in the Caribbean consider themselves as self-employed and 32% have a full-time job at the same time as they are involved in early-stage entrepreneurial activity, which means that they are not fully devoted to their entrepreneurial initiative. This situation may partly explain the leakage between the percentage of nascent youth entrepreneurs in the entrepreneurial pipeline versus the percentage of new youth entrepreneurs and then of established youth entrepreneurs.

5.5 HOUSEHOLD INCOME LEVEL

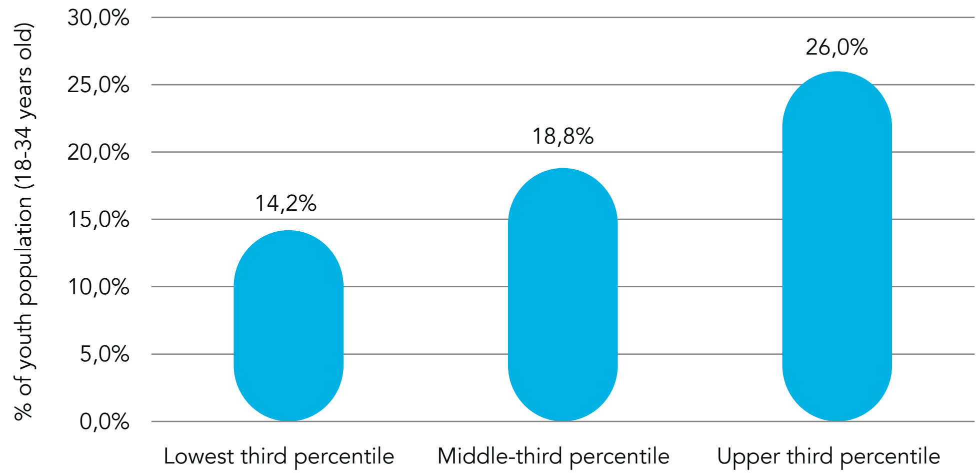
GEM measures the economic condition of entrepreneurs by taking note of their annual household income, and categorizing the results into third percentiles, referring to these as the: "Lowest third percentile", "Middle third percentile" and "Upper third percentile".

Table 8. Labor situation of youth population in TEA. Caribbean 2012

	Nascent/new Entrepreneur (TEA)			
	Barbados	Colombia	Trinidad & Tobago	Caribbean
Employee full time	30,1%	32,5%	31,7%	32.0%
Employee part time	8,3%	6,8%	6,5%	7.0%
Self-employed	42,3%	49,1%	53,7%	48.6%
Retired or disabled	3,2%	0,0%	0,0%	0.5%
Not working/other status	5,8%	3,3%	0,8%	3.4%
Student	0,6%	4,5%	4,1%	3.8%
Homemaker	9,6%	3,9%	3,3%	4.7%

Source: Compiled by authors

Figure 35. Nascent/new youth entrepreneur rate by household income level. Caribbean 2012

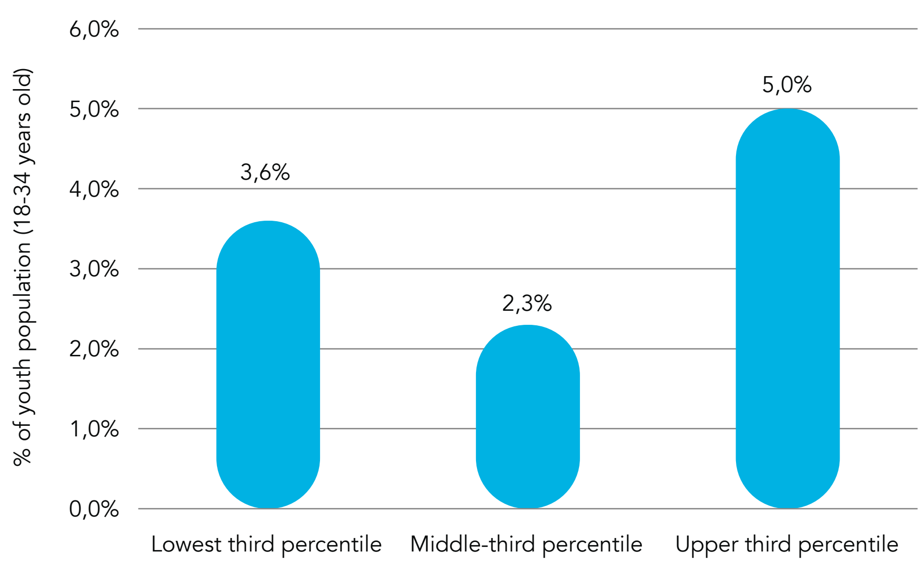


Source: Compiled by authors

Figure 35 shows that the rate of early-stage entrepreneurial activity among youth (nascent/new entrepreneurs) increases with the level of household income. A similar situation is observed for the rate of established youth entrepreneurs, except in the middle third percentile (Figure 36).

Table 9 presents for each third percentile of household income, the propensity to be motivated by necessity. As expected, the lower the household income the higher percentage of early-stage entrepreneurs driven by necessity to start businesses. In the case of Caribbean youth entrepreneurs located in the lowest income third percentile, 79% are motivated by the opportunity and 21% by necessity; in the upper third percentile, 4% of caribbean youth entrepreneurs are driven by necessity and 96% by opportunity.

Figure 36. Rate of established youth entrepreneurs (18-34) household income level. Caribbean 2012



Source: Compiled by authors

New orientation programs need to be directed to the youth in lower income households to improve the orientation of their entrepreneurial initiatives.

Table 9. Youth household income vs. necessity driven motivation. Caribbean 2012

	Colombia	Trinidad & Tobago	Barbados	Caribbean
Lowest third percentile	20%	27%	23%	21%
Middle third percentile	6%	13%	12%	9%
Upper third percentile	5%	8%	6%	4%

Source: Compiled by authors

6

ENTERPRISE CHARACTERISTICS

An important issue for analysis is the characteristics of the enterprises that youth people are developing. The analysis will cover characteristics of both nascent/new (included in TEA) and the established businesses.

6.1 JOBS

Figure 37 presents the job generation impact of "nascent/new" enterprises create by youth and adult people based on two indicators: the current number of jobs created and the expected number of jobs to be created in five years.

At the current state the differences between the jobs generated by the youth and the adult nascent/new entrepreneur population is very small. About 93% of the nascent/new entrepreneurs at the current stage are generating less than 5 jobs and about 50% of the nascent/new entrepreneurs are not generating jobs.

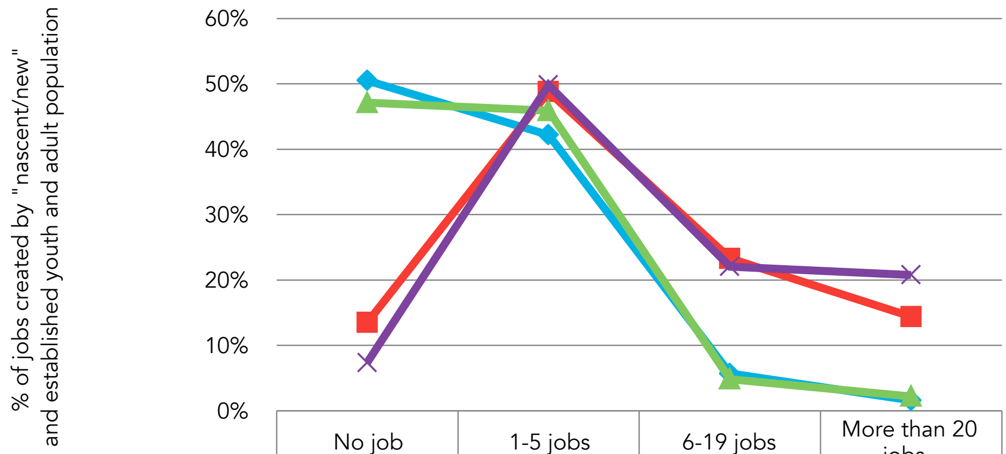
At the future stage, 5 years from now, the differences in job generation between the youth and adult nascent/new population are significant. About 62.3% of the youth population and only 57.2% of the adult population will generate, in the next five years, less than 5 jobs, 13.5% of the youth vs. 7.4% of the adult population will not generate jobs; 14.4% of the youth vs. 20.8% of the adults will create more than 20 jobs.

The data for the established business sector, that should be characterized for generating more jobs, than the nascent/new entrepreneurs are analyze in figure 38, not only at the current stage but also in the 5 years from new stage, for the youth entrepreneurs (18-34) and for the adult (35-64) entrepreneurs population.

At the current stage of development the youth (18-34 years) and the adult (35-64) have very similar distributions. In about 85% of the cases are generating less than 5 jobs and about 36%-40% are not generating jobs. At the current stage established business has a distribution oriented to have more jobs than nascent/new business.

At the future stage, the youth will have a distribution oriented to have bigger number of

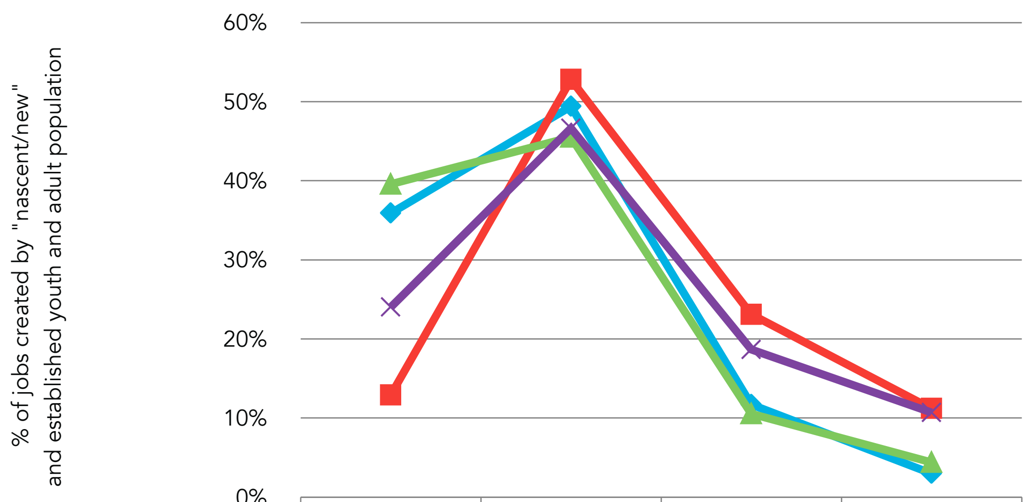
Figure 37. Current and expected jobs generation by nascent/new enterprises owned by youth and adult entrepreneurs. Caribbean 2012.



	No job	1-5 jobs	6-19 jobs	More than 20 jobs
Youth population (18-34) Current jobs	50,5%	42,2%	5,7%	1,6%
Youth population (35-64) Expected jobs	13,5%	48,8%	23,3%	14,4%
Adult population (18-34) Current jobs	47,1%	45,9%	4,8%	2,2%
Adult population (35-64) Expected jobs	7,4%	49,8%	22,0%	20,8%

Source: Compiled by authors

Figure 38. Current and expected jobs generated by established businesses owned by youth and adult entrepreneurs. Caribbean 2012.



	No job	1-5 jobs	6-19 jobs	More than 20 jobs
Youth population (18-34) Current jobs	35,9%	49,4%	11,7%	3,0%
Youth population (35-64) Expected jobs	12,9%	52,8%	23,1%	11,2%
Adult population (18-34) Current jobs	39,6%	45,5%	10,5%	4,4%
Adult population (35-64) Expected jobs	24,0%	46,6%	18,7%	10,7%

Source: Compiled by authors

Table 10. Long-term work preference of youth entrepreneurs (18-34). Caribbean 2012.

	Barbados	Colombia	Trinidad & Tobago	Caribbean
Run your own business	90%	99%	95%	97.5%
Employed by others	2%	1%	2%	1.3%
No preference / It depends	9%	0%	3%	1.2%

Source: Compiled by authors

jobs than the adults. Only 12.9% of the youth will not have jobs vs. 24% of the adults.

All these figure indicate that most of the enterprises are very small at the current stage, and that they will not grow significantly in the future 5 years. The entrepreneurship development policy should consider in each country programs oriented not only to get bigger business established, but specially to train the entrepreneurs better and to provide more support for the growth stage, to increase the job generation contribution.

When the youth nascent/new entrepreneurs are asked about their work preferences in the long term, their entrepreneurial career vision is clearly expressed because, in all the countries, more than 90% of them perceive their future work as "running my own business". Table 10 presents these preferences:

6.2 SECTOR

Figure 39 presents the differences between youth (18-34) and adults (35-64) in terms of the distribution of the nascent/new enterprises by economic sector and by country. The majority of the enterprises in every country (owned by youth and adult entrepreneurs) are in the consumer-oriented sectors (e.g. wholesale/retail trade, personal services), representing between 43.7% (Colombia) and 61.3% (Barbados) of the total enterprises. The transforming sector (e.g. manufacturing, construction) is the second in all the countries, except in the adult entrepreneurs of Trinidad & Tobago. The extractive industries (e.g. mining, agriculture) represent the smallest percentage in all the countries.

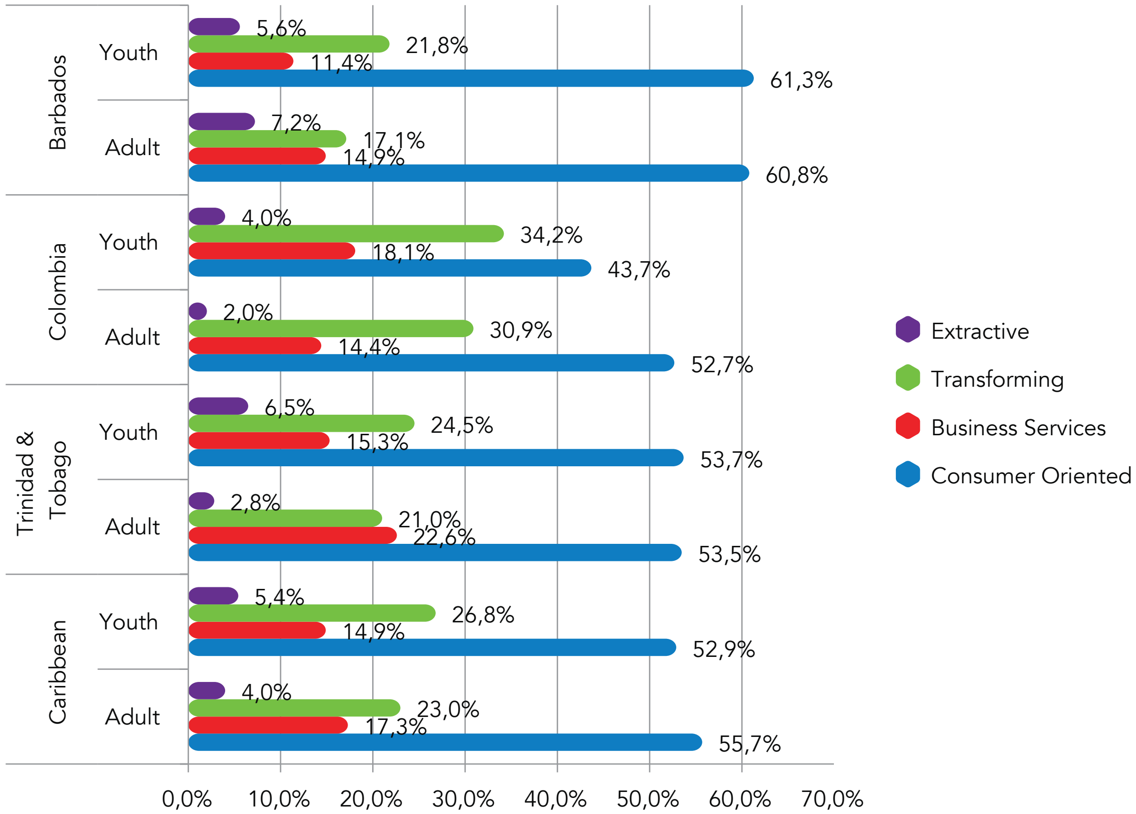
Very similar results are obtained for established business for both age groups in all the countries (figure 40). Again the majority of businesses are in the consumer-oriented sectors, followed by the transforming, business services and extractive sectors, except in the enterprises owned by youth in Colombia, where the transforming sector obtained the highest percentage.

6.3 TECHNOLOGY

In terms of the newness of technologies used by the youth nascent/new enterprises, the results indicate that most of the enterprises (50%-86%), depending on the country) are using technology that has been in the market for more than 5 years (figure 41). However, the data reveal that the youth-owned enterprises tend to be a bit more oriented toward the use of newer technologies than the enterprises created by the adult entrepreneurs.

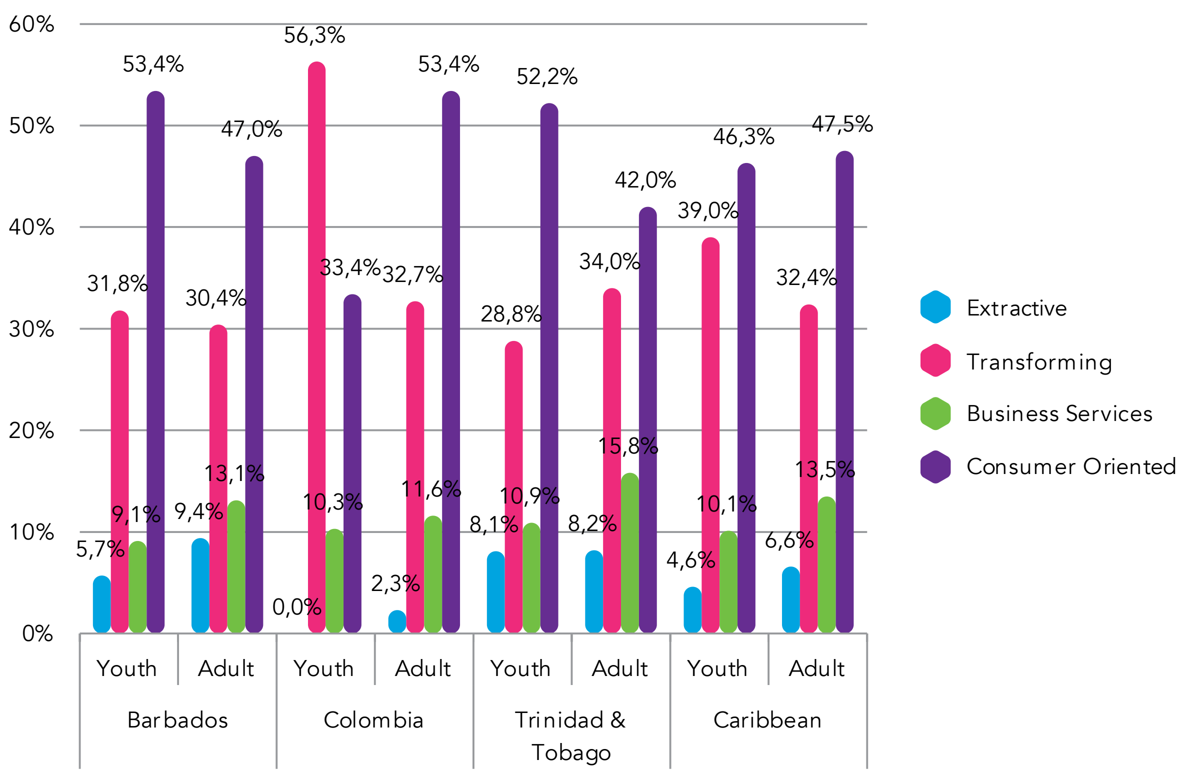
For established business, the situation is more critical because, in all countries almost 80% or more of the enterprises are using technologies that have been in the market more than 5 years (figure 42). Although the use of new technologies (less than 5 years in the market) tends to be higher in the youth-owned businesses.

Figure 39. Sector classification of nascent/new businesses. Caribbean 2012.



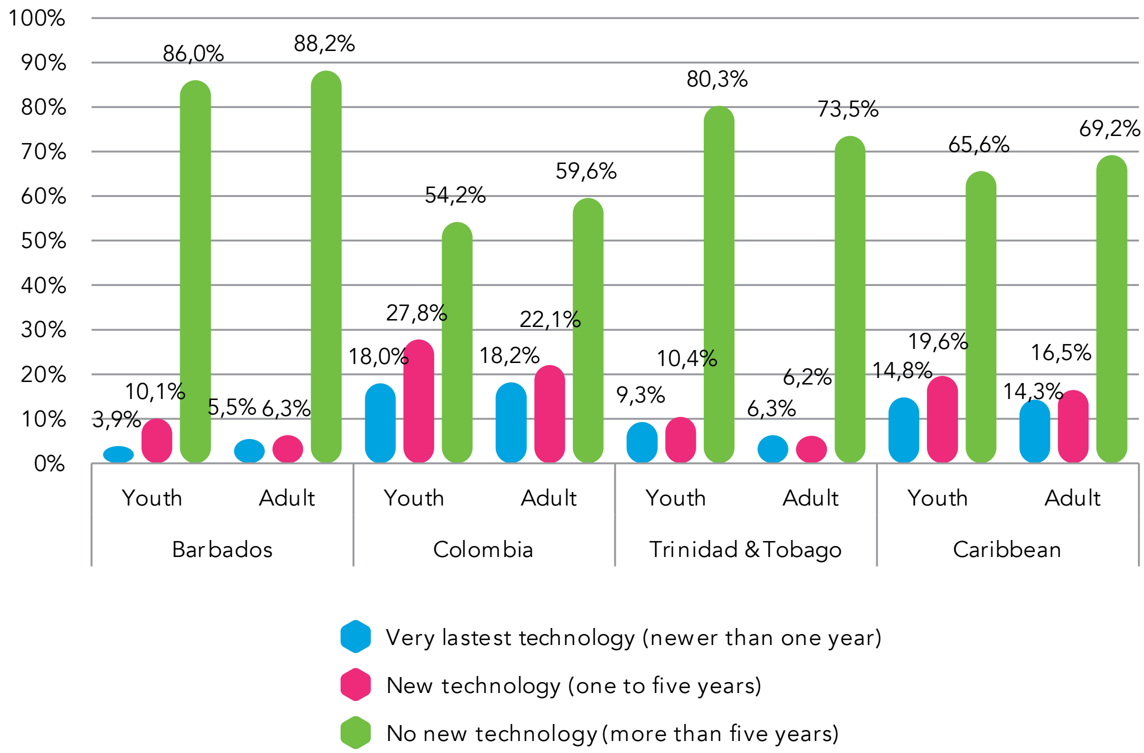
Source: Compiled by authors

Figure 40. Classification of industries in established business. Caribbean 2012.



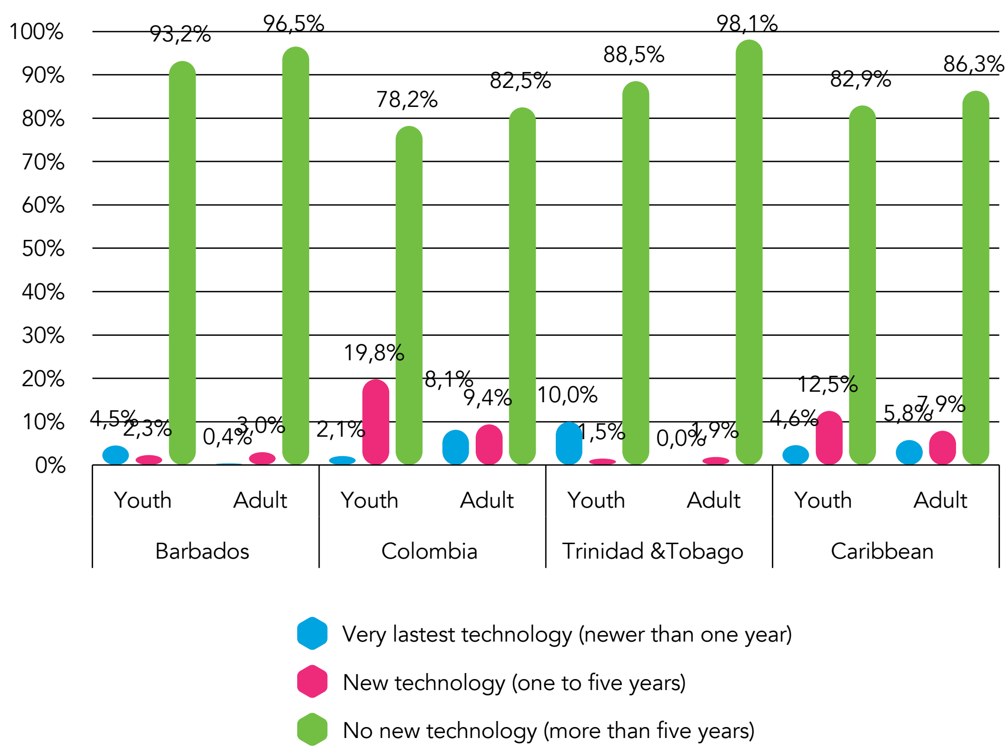
Source: Compiled by authors

Figure 41. Age of technologies used by nascent/new entrepreneurs. Caribbean 2012.



Source: Compiled by authors

Figure 42. Newness of technologies used by established entrepreneurs. Caribbean 2012.



Source: Compiled by authors

Comparing this indicator for nascent/new enterprises versus established enterprises also reveals that the nascent/new businesses are much more likely to be making use of the latest technologies, which suggests they have the potential to be more productive. Incentives and supports to encourage both nascent/new and, especially, established businesses to upgrade their technologies and integrate the latest technologies could have a significant impact on the productivity levels of the enterprise sector.

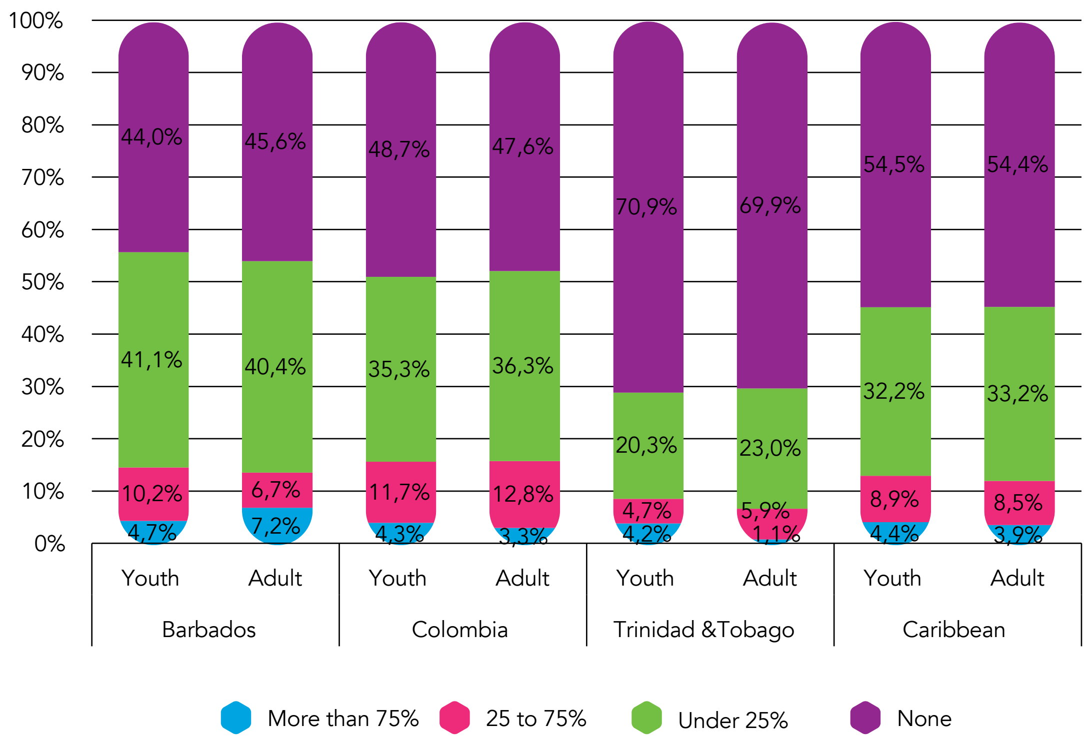
6.4 EXPORT ORIENTATION

Another important characteristic to consider is the export orientation of the enterprises. In GEM, this is measured by the proportion of consumers the enterprises has from outside the country. Figure 43 shows that, above 44% of the nascent /new enterprises, independently of whether they were created by youth or adults, do not have a very significant share of consumers from outside the country (e.g. exports), and in general there are no significant differences between the enterprises created by youth or adults.

Across the three Caribbean countries, 54% of the youth-owned enterprises do not have any export customers; in a third of the enterprises, under 25% of their customers are from outside the country and in only 4.4% of the enterprises do international customers make up more than 75% of customers. Although not all of the youth-owned businesses are in sectors with export potential, the international orientation of their enterprises could be enhanced through awareness, orientation, training, and exports-readiness programs.

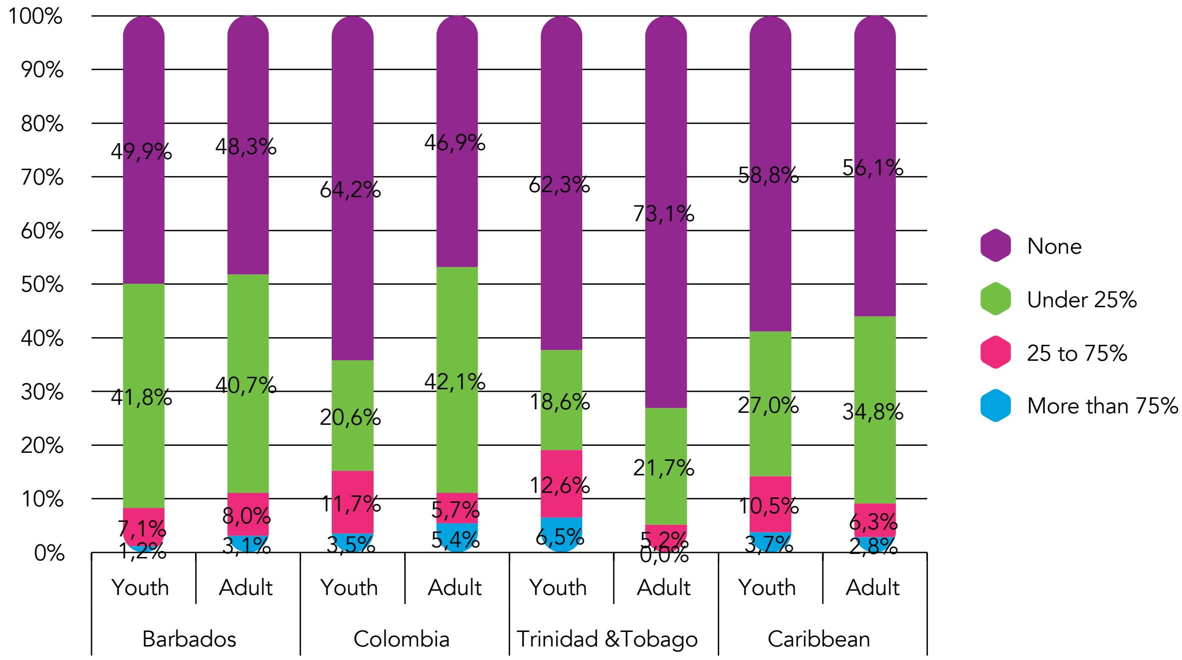
Established businesses tend to show a similar pattern of international orientation (figure 44). Depending on the country, between 47% and 73% of them, do not have any customers from outside the country. Some

Figure 43. Share of consumers from outside the country, nascent/new enterprises. Caribbean 2012.



Source: Compiled by authors

Figure 44. Share of customers from outside the country, established enterprises. Caribbean 2012.



Source: Compiled by authors

difference can be observed between the enterprises owned by youth versus adult entrepreneurs in terms of internationalization, but not a general trend could be identified.

A strong effort is needed to orient, train and support Caribbean enterprises in order to improve their access to international markets. Given, continuing trend towards globalization if enterprises are not able to achieve their export potential, this could lead to a balance of trade problem, affecting the whole macroeconomic environment.

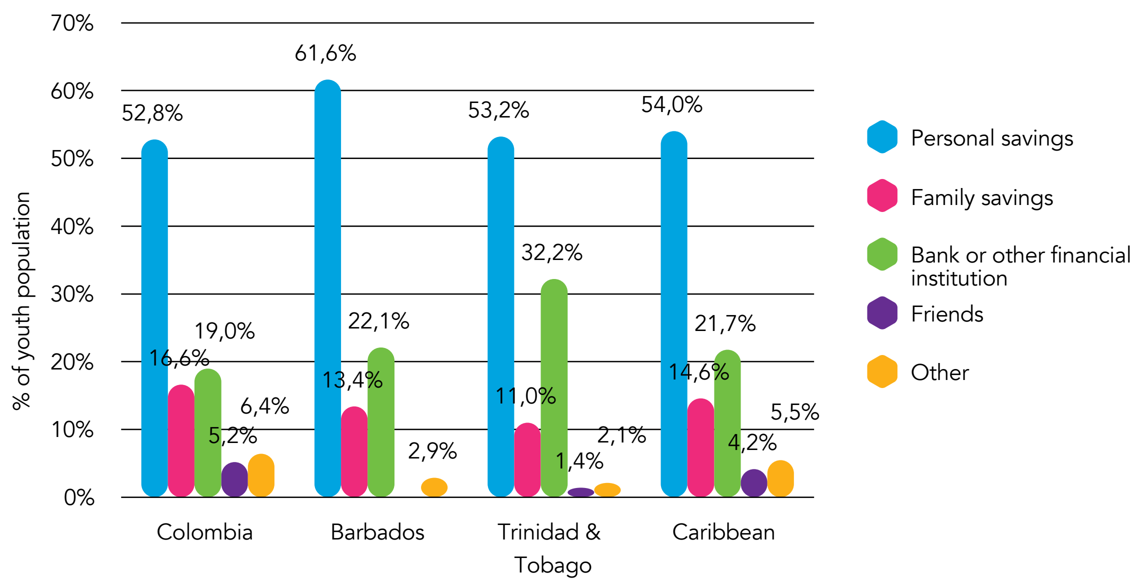
6.5 FINANCING OF ENTERPRISES

An important factor for the creation and development of new enterprises is adequate access to start-up financing and availability of various kinds of financial support. Most of the national experts interviewed as a part of the GEM studies, agreed that the lack of financial resources may be one of the reasons for the lack of competitiveness of new and growing businesses, and a very significant limitation in the entrepreneurial environment to the survivability goal of enterprises.

Youth entrepreneurs are particularly vulnerable with regard to access to finance as they often lack collateral, a credit history, and business experience. Figure 45 indicates that, in the Caribbean, youth entrepreneurs expect to source the majority of the resources needed for the start-up either from personal savings (54% of the youth entrepreneurs) or from a bank or other financial institution (21.7% of the youth entrepreneurs).

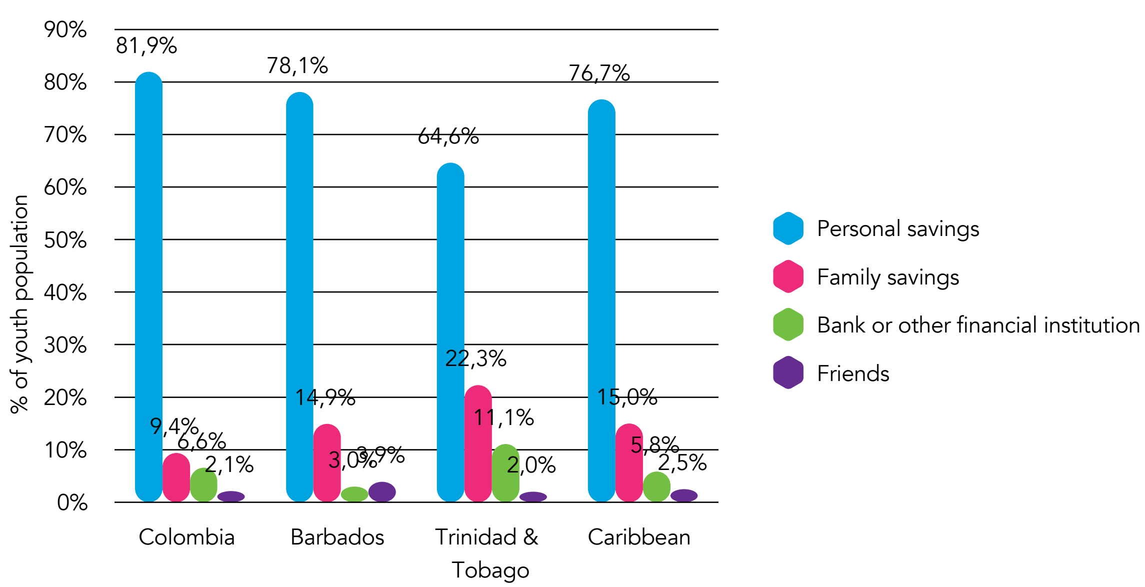
While still primarily reliant on personal savings for their start-up money, youth in the Caribbean countries are more reliant on banks and other financial institutions than on family and friends. In other regions of the world (Sub-Saharan Africa, the Asia-Pacific and South Asia, and the Middle East and North Africa), the youth entrepreneurs are more reliant on family and friends for the majority of their start-up money than in the case in the Caribbean countries (Kew et al., 2013).

Figure 45. Source of the majority of money to start the business, youth nascent/new entrepreneurs. Caribbean 2012



Source: Compiled by authors

Figure 46. Source of majority of money to start the business, youth established entrepreneurs. Caribbean 2012



Source: Compiled by authors

Among the three Caribbean countries, youth in Trinidad & Tobago are the most likely to identify banks and financial institutions as their major source of financing (about a third of them) and the least likely to citing family and friends as the major source.

For the established business, Figure 46 indicates that most of the youth established entrepreneurs are sourcing their enterprises by personal savings (76.7%) and in 2nd place through the family saving (15%).

The creation of new mechanisms such as the development of seed capital funds targeting youth ventures, the establishment of new credit options with accessible guarantees, the formation of angel investor's networks, and the development of venture capital firms, may improve this basic framework condition for the different businesses that are created in the Caribbean region. Another option is to provide fiscal stimulus for potential investors in new enterprises in order to encourage the financing of new businesses.

6.6 BUSINESS LOCATION

Another very important variable to examine is the starting place of the business in terms of its physical location. Operating the business from home acts as a financing alternative used by the entrepreneurs, to avoid investment and/or fixed cost, and it is a form of family financing for the new business.

Figure 47, shows that 47.4% of the youth nascent/new businesses start from home and 27.7% start in a formal business space. In the case of established businesses, 66.4% of the youth entrepreneurs are operating from home, and 23.1% are using a formal business space. Everybody will expect that the proportion of home based established business be lower that the new/nascent ones, but the data indicates something different and a deeper research should be done in this variable to understand the phenomena.

6.7 INFLUENCER IN THE DECISION TO START

Entrepreneurs are influenced by many pulls and pushes that, following Shapero's theory (Shapero et al., 1985), impulse them toward entrepreneurship. This may include the influence of a significant person in the decision to become entrepreneurs.

Figures 49 and 50 indicate the primary influencers of nascent/new and established youth entrepreneurs in the decision to start up a business. For nascent/new youth entrepreneurs, their friends (22.7%) are the main influence in the decision, followed by parents (18.4%). For the established youth entrepreneurs, the parents were the main influence (23.2%) followed by friends (18.8%).

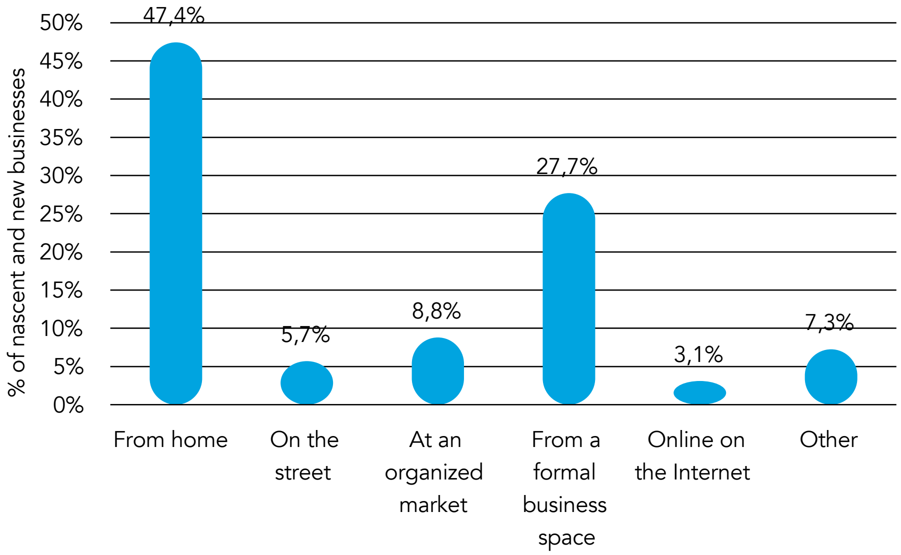
Kew et al. (2013), indicates that one third of youth-owned nascent and new business owners in Latin America and the Caribbean (32.6%) consider that no-one influenced them in their decision to start a business.

6.8 BORN OR DEVELOPED?

Another influence on the decision to become an entrepreneur may be exposure to parental entrepreneurial activity during the early growing up years. This was explored in the GEM study of youth entrepreneurship.

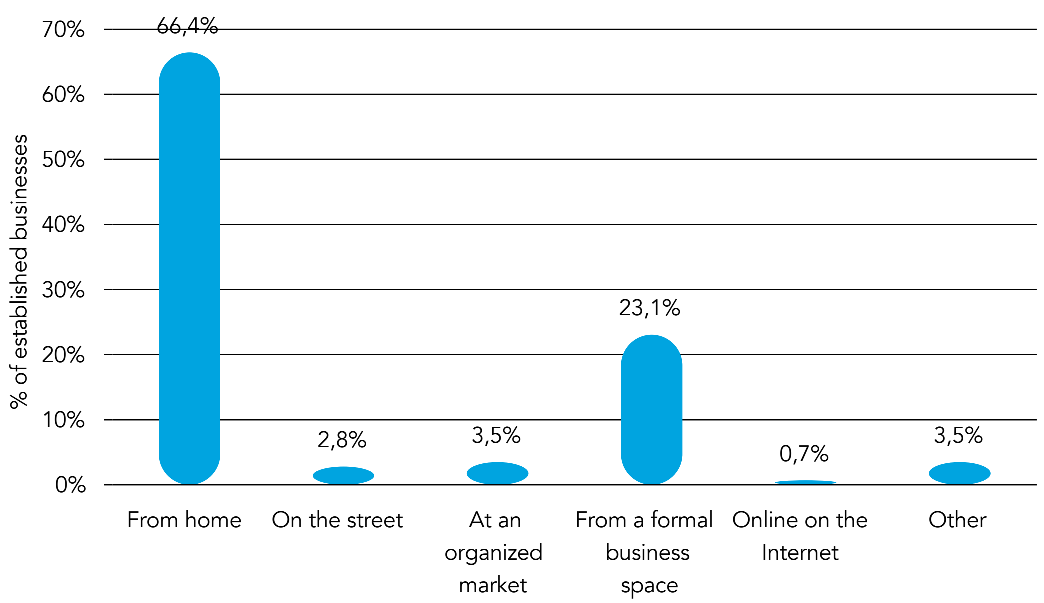
As indicated by table 11, 35.2% of the nascent/new entrepreneurs had a father who ran his own business and 15.6% had a mother who ran her own business. This suggests that many other variables along the personal development process are the ones that affect entrepreneurial behavior.

Figure 47. Place where the nascent/new business is located. Caribbean 2012.



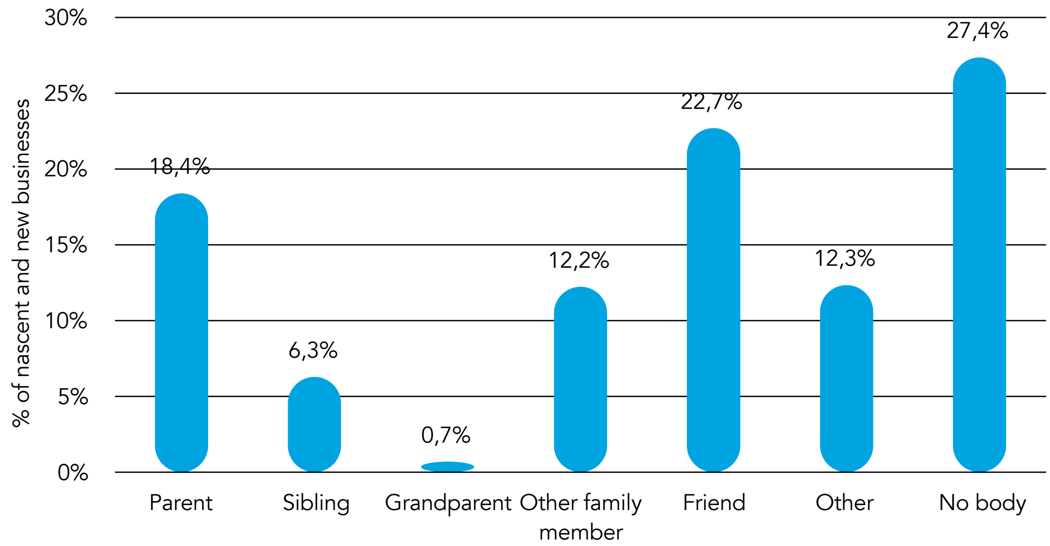
Source: Compiled by authors

Figure 48. Place where the established business is located. Caribbean 2012.



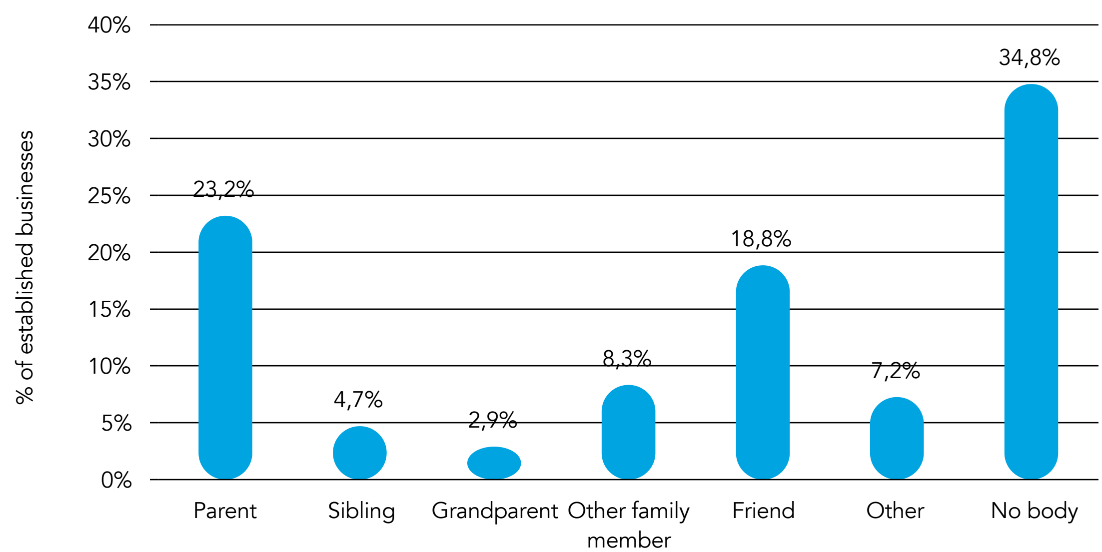
Source: Compiled by authors

Figure 49. Primary influencer in the decision to start the business, nascent/new youth entrepreneurs. Caribbean 2012.



Source: Compiled by authors

Figure 50. Primary influencer in the decision to start the business, established youth entrepreneurs. Caribbean 2012.



Source: Compiled by authors

Table 11. Main occupation of youth entrepreneurs´ parents. Caribbean 2012.

	Employed by others	Not Employed	Run own Business
Occupation of Father	57,0%	7,8%	35,2%
Occupation of Mother	47,2%	37,2%	15,6%

Source: Compiled by authors

7

YOUTH IN THE ENTREPRENEURIAL FRAMEWORK CONDITIONS

Since its inception, the GEM project has proposed that early stage entrepreneurial activity is influenced by a set of factors called: Entrepreneurship Framework Conditions (EFCs). The EFCs are "the necessary oxygen of resources, incentives, markets and support institutions to the growth of new companies" (Bosma et al. 2008). Also, the GEM conceptual model has established a clear relationship between the EFCs, entrepreneurship dynamic and economic growth.

According to the GEM conceptual model, the EFCs may be present at any stage of economic development, but can exert more influence when the basic requirements (primary education, health, infrastructure, etc.) and the efficiency enhancers (higher education, efficient market goods, proper functioning of the labor market, financial markets developed, etc.) are consolidated.

Although there is not a complete understanding of the effect that each of variables has in entrepreneurship development, GEM evaluates, through the National Expert Survey, several framework conditions (EFCs) to assess the status of these in every country.

In 2012, Barbados surveyed 34, Colombia 50, Trinidad & Tobago 36 and Jamaica 39 national experts (entrepreneurs, policy makers, business and support services providers, investors, financiers, bankers, educators, teachers, entrepreneurship researchers) in the 9 different EFCs areas indicated in the GEM model: social and cultural norms, physical infrastructure, internal market openness, commercial and business infrastructure, R&D transfer, education and training, government programs, government policies, financing.

Each expert, evaluated a different set of statements using a Likert scale from 1 to 5, where 5 indicated that the statement foster entrepreneurship and 1 that the statement blocks entrepreneurship. These detailed can be consulted in the GEM Caribbean Regional Report 2012.

In 2012, special areas were included in the NES: Entrepreneurship and youth, networking to do business, entrepreneurship and immigration, innovation, attention to high growth, women support to start up, intellectual property rights, motivation for entrepreneurship, skills to start up and perception of opportunities.

For this report, only the perception of the experts about entrepreneurship and youth will be analyzed, in two sectors one for young and another for young adult.

7.1 ENTREPRENEURSHIP AND YOUNG POPULATION

Table 12 presents the main results obtained in each of the Caribbean countries for the 8 statements included in NES related, specifically to young entrepreneurs. Four of the indicators received average experts scores above 3: Access to primary and secondary education (4.12), self-employed youth learn to develop their business activities largely through their own experience and relationship (3.73), families expect youth to contribute to the family finance (3.63), and youth are pushed into business activity out of necessity (3.33).

The experts considered that government programs to train and support young entrepreneurs are not very effective (2.99), that there are not many opportunities to develop micro business for young (2.94), and that there is not a propensity toward self-employment for youth versus being an employee (2.93), and that there are not too many option for young, different than finding a job (2.83).

7.2 ENTREPRENEURSHIP AND YOUNG ADULTS

In the case of the young adults (25-34), the national experts agreed most strongly with the following statements: Most young adult entrepreneurs have been helped by their families, relatives or friends to start up their initiatives (3.98), young adults consider life/work opportunities outside the country to be more attractive (3.83); conflict situations are a substantial barrier for youth/young adults, to start and grow a business (3.33), and young adults face greater constraints to entrepreneurship relative to the general adult population (3.26).

Experts agreed that there are significant deficiencies in: funding of young adults business initiatives by financial institutions/investors (2.43), efficiency of microcredit facilities for young adults starting a business (2.45), business incubator systems (2.44), and involvement of young adults in entrepreneurship (2.69).

The data presented in tables 13 and 14, clearly indicates that the general limitations in EFCs at the national level, in some situations become stronger for the youth population. This suggests that new policies and support mechanisms are required, specifically oriented for the youth population.

Table 12. Scores on NES statements related to youth entrepreneurship. Caribbean 2012.

	Colombia	Trinidad & Tobago	Barbados	Jamaica	Caribbean
In my country, Young have easy access to primary and secondary education	3,40	4,74	4,85	3,47	4,12
In my country, most of the young have no option other than to find work	3,48	2,88	2,44	2,54	2,83
In my country, young are pushed into business activity out of necessity	3,46	3,36	2,91	3,59	3,33
In my country, families expect young to contribute to the family finance	3,81	3,55	3,37	3,78	3,63
In my country, the young involved in business activity are more likely to be self-employed than an employee (work for someone else)	3,05	3,12	2,53	3,03	2,93
In my country, self-employed young learn to develop their business activities largely through their own experience and relationships	3,56	4,21	3,48	3,65	3,73
In my country, there are many opportunities to develop micro business for young	2,94	2,93	3,39	2,59	2,96
In my country, governmental programs effectively train and support young entrepreneurs	2,96	3,10	3,55	2,36	2,99

Source: Compiled by authors

Table 13. Scores on NES related to young adults and entrepreneurship. Caribbean 2012.

	Colombia	Trinidad & Tobago	Barbados	Jamaica	Caribbean
In my country, conflict situations form a substantial barrier for young/young adults to start and grow a business	3,30	3,45	2,90	3,67	3,33
In my country, the young adults are significantly involved in entrepreneurship	3,42	2,32	2,67	2,35	2,69
In my country, young and young adults face greater constraints to entrepreneurship relative to the general adult population	2,88	3,88	2,83	3,46	3,26
In my country, there is an adequate system of business incubators that can be accessed by	2,88	2,25	2,66	1,97	2,44
In my country, most of young adults that become entrepreneurs have been helped to start up by their families, close relatives or friends	3,85	4,09	4,00	3,97	3,98
In my country, financiers (banks, informal investors, business angel..) fund young adults business initiatives	2,47	2,12	2,28	2,86	2,43
In my country, micro-credit facilities for young adults to start a business are efficient	2,66	2,15	2,72	2,27	2,45
In my country, the young adults consider life/work opportunities outside the country to be more attractive	3,30	4,03	3,53	4,43	3,83

Source: Compiled by authors

8

CONCLUSIONS

The main conclusions of this research, which set a base-line for additional research about youth entrepreneurs in the Caribbean, are:

- The socio-cultural perceptions of Caribbean youth towards entrepreneurship are higher than in innovation and efficiency-driven economies and very similar to the factor-driven economies.
- The potential youth entrepreneur indicator in the Caribbean is higher than in innovation-, efficiency- and factor-driven economies.
- Caribbean youth have a very low fear of failure in relationship to the idea of starting a business.
- At the "intentional entrepreneurs" stage, Caribbean youth present a high value compared with results for innovation-, efficiency- and factor-driven economies.
- 97.7% of the intentional youth entrepreneurs had a career vision toward "run your own business".
- There is a significant leak in the entrepreneurial pipeline, in the transit from intentional to nascent entrepreneurs. However given the age groups (18-24 and 25-34), it is possible that the leakage originates from the fact that many intentional youth entrepreneurs are still studying or getting experience in their first job, and they will do the start-up of their business in the later years.
- The propensity of youth toward the creation of new enterprises is growing in the region.
- The TEA rate for youth is high in all the Caribbean countries and higher than the total adult population TEA rate, which indicates that there are growing orientations towards new business creation in the Caribbean basin.

- The rate of established youth entrepreneurship is increasing. This is a very good sign for the entrepreneurial pipeline growth and for the improvement of socio-economic indicators.

- The entrepreneurial pipeline for youth people (18-34) shows better indicators than the entrepreneurial pipeline for adults (35-64) population, a positive finding looking to the entrepreneurial future of Caribbean countries.

- Gender disparities along the youth entrepreneurial pipeline stages are an issue that requires the development of specific actions to improve the entrepreneurial orientation of young females.

- There is a positive connection between higher educational levels and higher propensity in all entrepreneurial pipeline stages.

- The opportunity motivation is high among the youth Caribbean entrepreneurs (91.3%)

- Most of the new enterprises created by youth caribbeans have made a small contribution in terms of new jobs generated, but the perspective to 5 years is better.

- Most of the new enterprises created by youth caribbeans are in the consumer oriented sectors.

- There are significant limitations in the enterprises in terms of use of recent technology, in international orientation and innovation. Special programs should be implemented to improve these limitations.

- Most of the youth entrepreneurs consider that there are very significant limitations in the financing schemes and for reason they have to rely very heavily on personal and family saving.

- The framework conditions for entrepreneurship have significant limitations for youth entrepreneurs and there are not specific ones oriented to the characteristics and situations they present.

9

RECOMMENDATIONS

Even though through the text many recommendations were formulated for the young, the young adults and the youth population of nascent/new and established entrepreneurs, there are some that should be given priority.

- Every country and every one of the youth groups needs an special entrepreneurial policy and very especial programs and support mechanism to address barriers and to provide survival and growth mechanism.
- The women situation should be addressed with more detailed research that explains the reasons that produce the gender disparity. With that information will be possible to design programs well oriented to improve youth women participation in the Caribbean entrepreneurship community.
- Entrepreneurial education is a must in the Caribbean region and research should be promoted to identify the best curricula design that allows, in every country to develop the entrepreneurial competences.
- The development of an entrepreneurial culture should be stressed in all the educational, social, political and communication levels. The use of role model, the diffusion of the successful cases, the recognition to entrepreneurs and all the activities to develop the idea that entrepreneurship is a good career choice should be implemented.
- There is a need of new youth led enterprises based in technology and of upgrade outdated technologies in established enterprises to enable them to be more competitive. The development of R&D programs, the promotion and support to spin off, the investment in research, the increase of scientist, researchers, technologies, engineers are very important elements to push the appearance of those technology based enterprises.

10

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