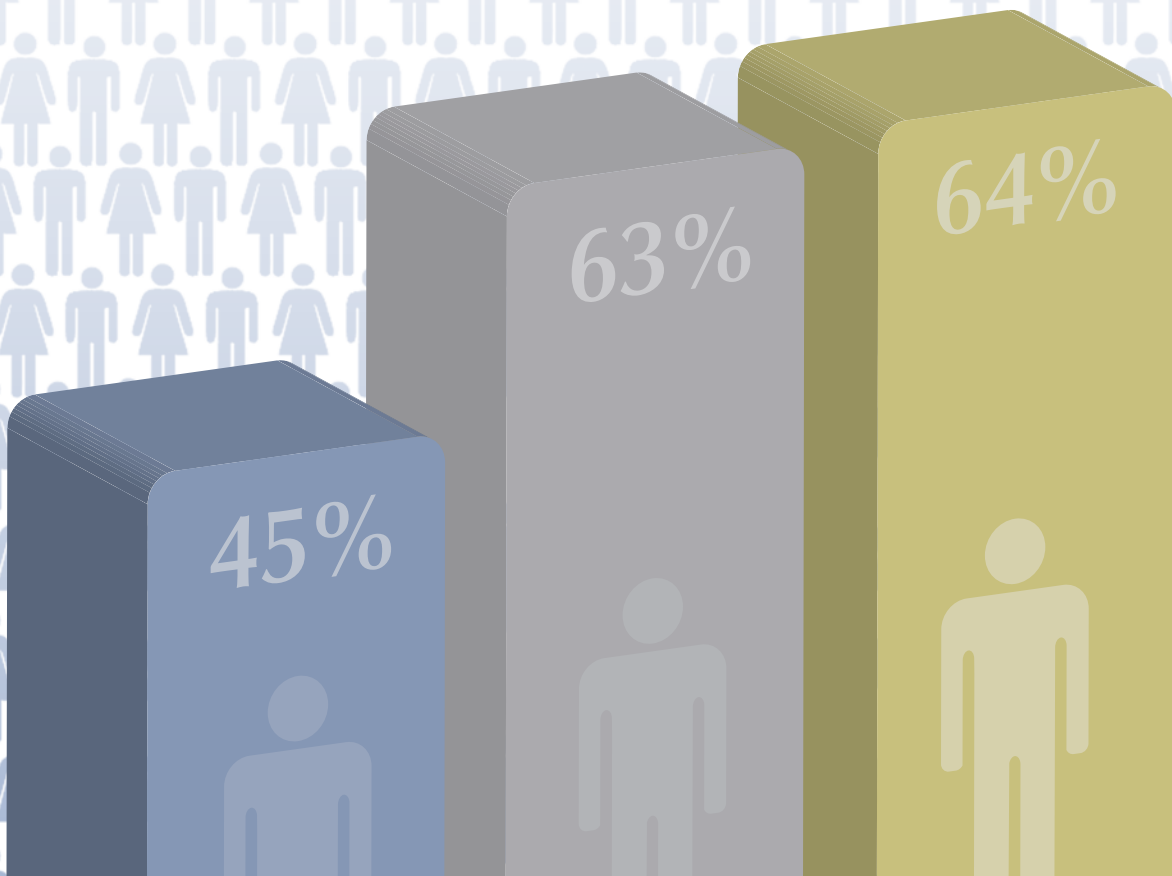


YOUNG INVINCIBLES POLICY BRIEF



New Poll Finds More Than Half of Millennials Want To Start Businesses

Access to Capital and Lack of Know-How Are Key Barriers



KAUFFMAN
The Foundation of Entrepreneurship

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The contents of this publication are solely the responsibility of the authors.

Young Invincibles Policy Brief

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With the economy struggling to get back on track, the country needs bright new ideas now more than ever. Unemployment is especially high for young people: In September 2011, the rate was 17.4 percent for 16- to 24-year-olds,¹ and the total number of jobs for those ages 18 to 34 remains 2.5 million below its pre-recession level.² Encouraging innovation among young people can be an important way for new life to be injected into the economy and can help to put some young people back to work. Luckily, young people do not need much convincing. Young Americans, especially young people of color, would like to help get the country working again by starting their own businesses.

Young Invincibles partnered with Lake Research Partners and Bellwether Research, with funding from the Ewing Marion Kauffman Foundation, to conduct a nationwide cell phone and landline survey of 872 young Americans ages 18–34 on their thoughts about the economy and entrepreneurship. This groundbreaking poll revealed that the so-called Millennial generation is even more entrepreneurial than prior evidence may have predicted. The poll found that:

- Fifty-four percent of young people either want to start a business or have already started one.
- Despite this strong interest, 38 percent of young adults say they have delayed starting a business because of the economy.
- Young Americans overwhelmingly support actions such as increasing access to capital, expanding

education, and forgiving student loans as a way to increase their ability to pursue those entrepreneurial dreams.

Entrepreneurship is Popular

With more than 50 percent of survey respondents who have not yet started a business stating that they would like to one day, it is safe to call this generation an entrepreneurial group. Indeed, the idea was equally as popular among 18- to 24-year-olds as it was among 25- to 34-year-olds, and, in fact, was even more popular among some demographics. Young Latinos and African Americans (64 percent and 63 percent, respectively) are even more motivated to start their own businesses.

The economy is hitting young people of color especially hard. Despite a strong desire among people of color to own their own businesses, only 5 percent and 6 percent of young African Americans and young Latinos, respectively, currently own their own businesses. Unemployment for young people of color is especially high—16 percent of young Latinos and 22 percent of young African Americans said they are unemployed. This means that for young Americans of color, the chance to start their own businesses and create growth in their own communities is crucial. On the other hand, women are significantly less likely to want to start their own businesses (57 percent among men, 44 percent among women). Additionally, of those that wanted to start businesses, only 27 percent were married, while

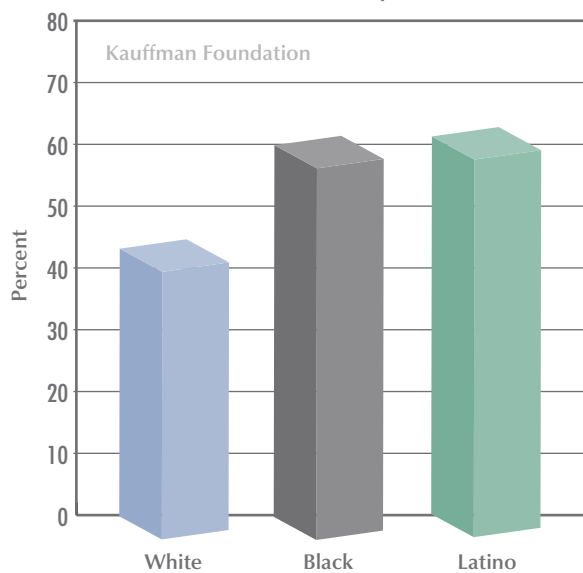
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1. Current Population Survey, Bureau of Labor Statistics.

2. Young Invincibles' analysis of Current Population Survey, Bureau of Labor Statistics.

69 percent were not married (compared to 35 percent and 59 percent, respectively, for no interest in starting a business).

Figure 1
Percent of Young Americans Who Would Like to Start Their Own Businesses, by Race



Delayed Dreams

Across the board, young Americans are enthusiastic about their desire to start their own businesses, but feel unprepared. Indeed, despite the high interest level, only 8 percent of young people say they already own a business. In the short-term, they are not quite ready. In fact, only 11 percent say they want to start the business in the next year, while almost nine in ten say they want to wait—whether that may be for at least five years (51 percent) or even longer (36 percent). Why the delay?

The current economic conditions are having an effect on potential young entrepreneurs' actions (see Figure 2), as 38 percent of young people say they have delayed starting businesses because of the economy. For African Americans, the bad economy has been particularly problematic when it comes to business

creation: 52 percent of young African Americans say they have delayed starting a business due to tough economic times. At the same time, young people clearly see entrepreneurship as a pathway to economic success: 55 percent of those who hadn't started a business but wanted to in the future rated their current economic state as just fair or poor.

But there are also specific barriers to entrepreneurship that young people identify. The most prominent hurdle for most young people is getting a line of credit to help start a business. Four in ten young people (41 percent) cite this as an obstacle. Many young people also say that too much risk in this economy (31 percent) and not knowing how to run a business (19 percent, with multiple choice allowed) are barriers to creating their own businesses.

While concerns about loans and risk in the economy are relatively high across the board, barriers affect young people differently across race. More than half of young African Americans (52 percent) cite credit as a barrier, and many are also particularly concerned with paying off other debt (17 percent). Many young Latinos feel that a need for more knowledge about running a small business and lack of mentors to show the way also were keeping them from starting their own businesses (33 percent and 19 percent respectively).

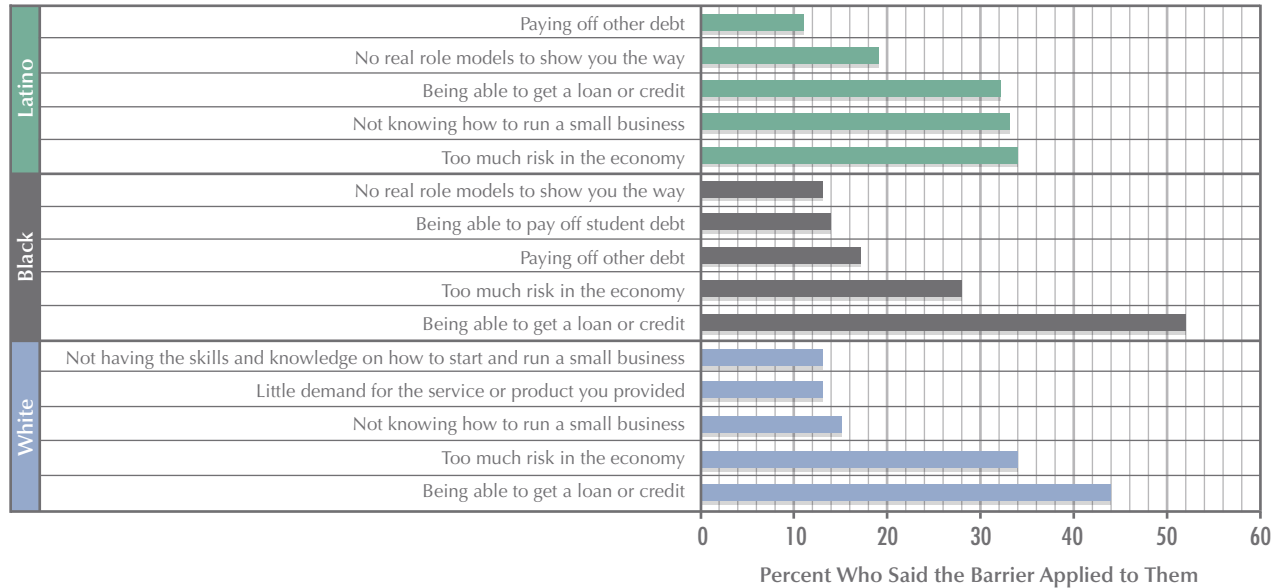
Help Wanted: Remove Barriers to Youth Entrepreneurship

Given the barriers listed earlier, it's no surprise that young people think Congress should take some action to help jumpstart their innovative ideas. In fact, 65 percent of young people think Congress should prioritize making it easier to start a business, and a full 83 percent of young people think Congress should, at the very least, make it easier to access loans to get started. This policy receives particular support among young African Americans, with a high 90 percent of this cohort supporting an increase in access to loans as a way to make our economy stronger.

While most young people see limited access to credit as a barrier to starting a business, young people are even more likely to say that increasing

Young Americans are enthusiastic about their desire to start their own businesses, but feel unprepared.

Figure 2
Most-Cited Barriers to Starting a Business



their access to training and information is important to encouraging people to start their own businesses. A majority of young people favor increasing access to the education and training needed to run a small business as a way to encourage entrepreneurship: 92 percent support and 62 percent strongly support this proposal.

Student loan forgiveness for young people who start businesses was also a popular fix to a common barrier, with 81 percent of survey respondents supportive of the idea. Young people of color are more likely to strongly support these suggestions. More young African Americans strongly support increasing access to credit and student loan relief (62 percent and 63 percent, respectively). The majority of young Latinos also strongly support these ideas (53 percent for both). Among all young people who have seen their debt increase, school loans (42 percent) make up the most common amount of increased debt. This

is even more common among people under age 25 (54 percent have seen increased student loan debt).

Thirty-two percent of young Americans have more than \$5,000 in personal debt, not including a mortgage, and 25 percent are very worried about being able to pay off their current debt.

Among all young people who have seen their debt increase, school loans (42 percent) make up the most common amount of increased debt.

Access to credit and student loan relief will help potential young entrepreneurs in particular. Fifty-five percent of those with personal debt between \$5,000 and \$25,000 say they would like to start their own businesses in the future. Of those who wish to start their own businesses in the future, 42 percent say their debt has increased in the last four years—primarily because of student loan and credit card debt (34 percent and 33 percent respectively). Currently, 33 percent of young people who have delayed starting a business say they have student loan debt.

Conclusion

Half of young Americans express an interest in starting their own small businesses. For these potential young entrepreneurs, along with the desire to start a business, however, comes doubt that they have the information and know-how, the access to loans, or the ability to overcome current debt burdens to be successful, or that they can find the capital to get the business going.

As a result, young Americans strongly support action on behalf of their leaders to better help them down an entrepreneurial track. Some pieces of youth-focused entrepreneurship legislation already have been discussed.³ But young Americans will need broader support from policymakers if this entrepreneurial spirit is to reach the potential presented in this poll.

Appendix: Resources for Young Entrepreneurs

All Terrain Brain
www.allterrainbrain.org

Junior Biz
www.juniorbiz.com

Teen Business Forum
www.teenbusinessforum.com

YoungEntrepreneur.com
www.youngentrepreneur.com

BUILD
www.build.org

Collegiate Entrepreneurs' Organization
www.c-e-o.org

DECA
www.deca.org

Future Business Leaders of America
www.fbla-pbl.org

Global Entrepreneurship Week
www.gewusa.org

Global Student Entrepreneur Awards
www.gsea.org

Junior Achievement
www.ja.org

BizKid\$
www.bizkids.com

Kauffman Campuses
www.kauffman.org/kauffmancampuses

Kairos Society
www.kairossociety.org

Mind Your Own Business
www.mindyourownbiz.org

National Association for
Community College Entrepreneurship
www.nacce.com

National Collegiate Inventors and Innovators Alliance
www.nciia.org

Network for Teaching Entrepreneurship
www.nfte.com

Startup Weekend
www.startupweekend.org

Students in Free Enterprise
www.sife.org

NFIB Young Entrepreneur Foundation
[www.nfib.com/page/
YoungEntrepreneurFoundation](http://www.nfib.com/page/YoungEntrepreneurFoundation)

Young Entrepreneur Council
<http://theyec.org/>

Young Invincibles
www.younginvincibles.org

Youth Venture
www.youthventure.org

Youth About Business
www.youthaboutbusiness.org

Independent Youth
www.independentyouth.org

METHODOLOGY: Lake Research Partners and Bellwether Research & Consulting designed and administered this survey, which was conducted by phone using professional interviewers. The nationwide survey reached a total of 872 adults ages 18 to 34. The sample included 472 young adults reached on landlines and 400 young adults reached on cellphones. The two samples were weighted together so that cell-dominant people (no landline or exclusively cell) account for 51 percent of the completed interviews. The survey was conducted September 25 to October 4, 2011. The margin of error for the full sample is +/-3.32 percentage points.

3. H.R. 2809, 112th Cong. (2011).

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