

# DETERMINANTS OF BUSINESS SURVIVAL OF YOUTH SELF-EMPLOYMENT IN SPAIN

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## ABSTRACT

The promotion of entrepreneurship is a key goal of the European Union and Spanish employment policy amidst a record high level of unemployment. Young individuals are a common target of entrepreneurship policies because of their high unemployment rates and low self-employment rates in comparison to older workers.

The literature on self-employment survival is extensive and points out to personal characteristics, labour trajectory, business characteristics, and the economic, social and political environment as the main determinants of survival. Age is generally found to have a positive association with business survival (Millán et al, 2012; Block and Sandner, 2009; Taylor, 2004). Even in the analysis of survival of youth self-employment, the youngest group of workers has the lowest probability of survival (Van Praag, 2003; Blanchflower and Meyer, 1994). However, the trajectory of businesses created by young workers is under-researched.

In this paper we analyse the profile of the new self-employed workers and the determinants of the survival of those jobs in the period 2005-2012 in Spain through the Continuous Sample of Working Lives dataset. Following Brüderl et al. (1992), we use human capital theory and organizational ecology to identify the individual factors and the organizational and environmental characteristics that contribute to explain the survival of new businesses. Kaplan-Meier survival curves are used to analyse business survival. Cox's proportional hazard regression model is used to analyse its determinants. Regression results show the importance of labour market experience to explain business survival. Individuals without experience in the labour market have a lower probability of survival in self-employment than people with previous labour market experience, and workers with unemployment periods in their labour trajectory have lower survival rates than those without unemployment experience. Therefore, the youngest self-employed workers are disadvantaged for succeeding in self-employment. Programmes fostering transitions into self-employment with funding should also improve the prospective self-employed qualification.

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