

THE CASE FOR *Youth*  
*Entrepreneurship*  
EDUCATION

# Foreword

The Federal Reserve Bank of Kansas City serves the Tenth Federal Reserve District, comprised of Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico and western Missouri. As one of 12 regional headquarters of the nation's central bank, the Kansas City Fed participates in setting national monetary policy, supervises and regulates financial institutions, maintains stability of the payments system, and provides financial services to banks and other depository institutions.

To succeed in each of these mission areas, the Federal Reserve relies on numerous resources, ranging from the most current economic and banking data to the analysis and expertise of its staff. One of the Federal Reserve's resources is its Community Development departments, created in the 1980s following Congress' approval of the Community Reinvestment Act.

Community Development professionals take policymakers to the front lines of community issues through a range of initiatives, including forums, conferences, directed research and advisory councils. The initiatives position the central bank to respond effectively to emerging economic developments, long-term needs and new challenges confronting rural and urban low- and moderate-income communities.

The Kansas City Fed's Community Development Department focuses its research, resources and programming on five primary areas: community development investments, financial stability for the underserved, healthy neighborhoods, workforce development and small business development. The Kansas City Fed understands the vital role small businesses play in growing the economy by providing jobs, building communities and being key innovators of new technology and processes.

This guide is an extension of the Kansas City Fed's mission. It offers educators and policymakers an overview of the importance of entrepreneurship education in creating a strong and healthy economy.

To learn more about the Federal Reserve Bank of Kansas City's Community Development Department, visit <http://kansascityfed.org/community/>.



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YOUTH ENTREPRENEURSHIP EDUCATION *2*

## EDUCATION AND A CHANGING AMERICA

Education is critical to creating and maintaining a competitive American economy. Nelson Mandela once said, "Without education, your children can never really meet the challenges they will face." Therefore, it is important to consider whether the educational system is aligned with the current and future needs of the economy.

*"Without education, your children can never really meet the challenges they will face."*

– NELSON MANDELA

According to Federal Reserve Bank of Kansas City economists Didem Tuzemen and Jonathan Willis, the labor market in America has shifted substantially since 1983. In their article "The Vanishing Middle: Job Polarization and Workers' Response to the Decline in Middle-Skill Jobs," Tuzemen and Willis show that middle-skill jobs, jobs requiring higher-level routine tasks, declined 14 percent between 1983 and 2012 (Tuzemen & Willis, 2013). The jobs were often traditional manufacturing jobs that contributed to middle class incomes and sustained households. While middle-skill jobs have declined, the share of both low-skilled, low-wage jobs and high-skilled, high wage jobs has grown.

One of the common mantras past generations have heard from parents and educators is, "Go to school to get a good job." Although increased education still indicates a better chance of being employed, graduating from high school and getting a good job may not automatically be true for many youth.

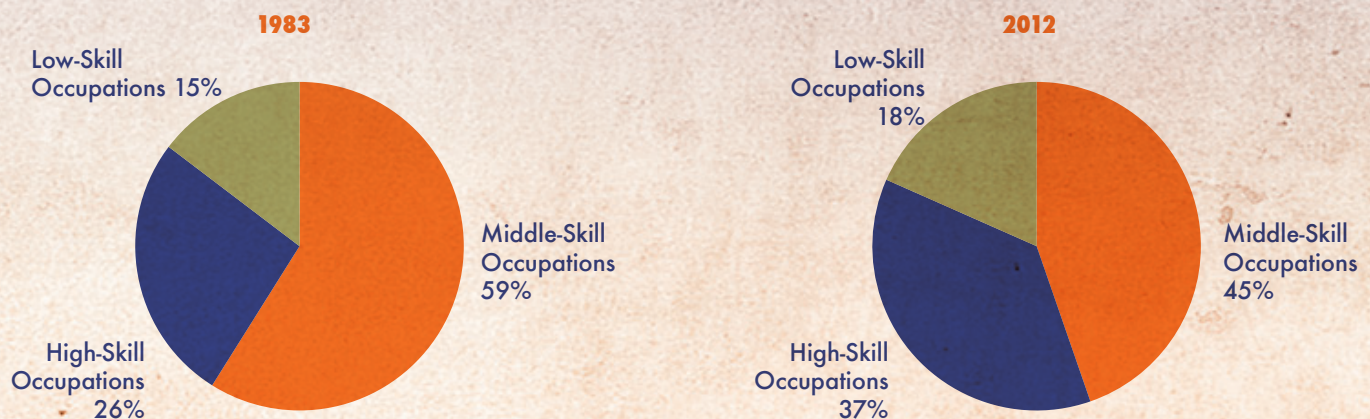
As we begin to address the aspects of our changing economy, one potential solution is to place a higher emphasis on entrepreneurship throughout the education system.

## ENTREPRENEURSHIP AS A PRIORITY EDUCATION OPTION

A priority of the public education system is to prepare students for participation in the economic growth of the country. In the early 20th century, this was accomplished through a focus on vocational education and agricultural and industrial training. (U.S. Department of Education, 2012).

As the United States seeks to address some of the shifts in the labor force, many economic developers and policymakers look to entrepreneurship as an economic development strategy for the variety of economic and social benefits it provides. Based on its historical emphasis on preparing students for economic participation, the public education system may benefit by focusing on entrepreneurship-based education as part of the core curriculum.

## Employment Shares by Skill Level



Note: Data are restricted to workers ages 16 to 64 who are not self-employed and are not employed in military or agricultural occupations.  
Source: Tuzeman & Willis'



Entrepreneurship provides numerous benefits to the economy and local communities, including:

1. The creation of jobs and an increase in local incomes and wealth (Henderson, 2002).
2. A faster and higher ratio of local economic growth (Barth, Yago, & Zeidman, 2008).
3. A lower cost associated with creating and growing small businesses (Edmiston, 2007).
4. A tool to escape poverty (Barth, Yago, & Zeidman, 2008).

More than half of the jobs in the nation are created by small businesses that have 500 employees or less. Even smaller firms, those with less than 99 employees make a significant impact. More than 98 percent of all firms in America have 0 to 99 employees and these small companies employ almost one out of every three workers (SBA Office of Advocacy).

A 2011 report by the National League of Cities, citing U.S. Census Bureau data, showed that in the 15 years prior to 2011, small businesses created 64 percent of the net new jobs in the United States (McFarland, McConnell, & Geary, 2011).

Although there are many benefits of entrepreneurship, business creation faces significant challenges in America. For the first time since collecting small business startup and exit data, a Brookings Institution research study found there were more business closures than startups in 2008 (Hathaway & Litan, 2014). Adding entrepreneurship-based education to the core curriculum can positively influence the creation of new entrepreneurs in America.

Based upon the traditional role of public education, which in large part is to prepare students for economic competitiveness, a significant shift toward entrepreneurship education should be considered. The positive benefit of entrepreneurship in the American economy and the challenges of creating and maintaining small businesses across the nation make a strong argument for entrepreneurship education.



## LOOKING INTO ENTREPRENEURSHIP EDUCATION

The term entrepreneurship is most commonly used to describe any individual that seeks to start and own a business. However, there are other useful key definitions.

**HARVARD UNIVERSITY** – The pursuit of opportunity without resources currently controlled.

**MERRIAM-WEBSTER DICTIONARY** – A person who starts a business and is willing to risk loss in order to make money.

Several key themes emerge from these definitions:

### KEY THEMES

*Innovation • Risk • Future Thinking • Opportunity Recognition and Pursuit • Profit Motivation • Market Understanding • Resource Management and Acquisition • Ownership • Critical Thinking*

There has been a historic debate as to whether entrepreneurship is learned or inherent. Research suggests that both the traits and skills entrepreneurs possess can be taught. Not only can it be taught, but entrepreneurship education can affect the overall supply of small businesses (Rasheed & Rasheed, 2003, p. 7).

K-12 education traditionally focuses on building management and other corporate skills. According to research by the International Labor Office,

The teaching of entrepreneurial skills and attributes and behaviors is often not properly integrated into school curricula or not adequately taught on different educational levels. Most education systems still teach traditional values of compliance to the norm rather than independent thinking and acting, risk-taking and self-reliance. Moreover, an academic approach to education nurtures skills that are appropriate to working in the public sector or large organizations and companies but not for an entrepreneurial career. Even business study programs at universities in many countries often do not include sufficient entrepreneurial elements. Thus, students are neither encouraged nor educated to become entrepreneurs but rather managers (Schoof, 2006, p. 38).

Although there are overlaps between preparing students for traditional employment and ownership of their own company, there are significant

differences between the two, and curriculum should be developed to teach and support those differences.



### **ENTREPRENEUR**

- *Primary risk taker*
- *Ultimately responsible for all aspects of the business*
- *Income driven by overall profit of the firm*
- *Job creator*
- *Success or failure driven by ability to run and grow the business*
- *Cannot be fired*
- *Independent*



### **EMPLOYEE**

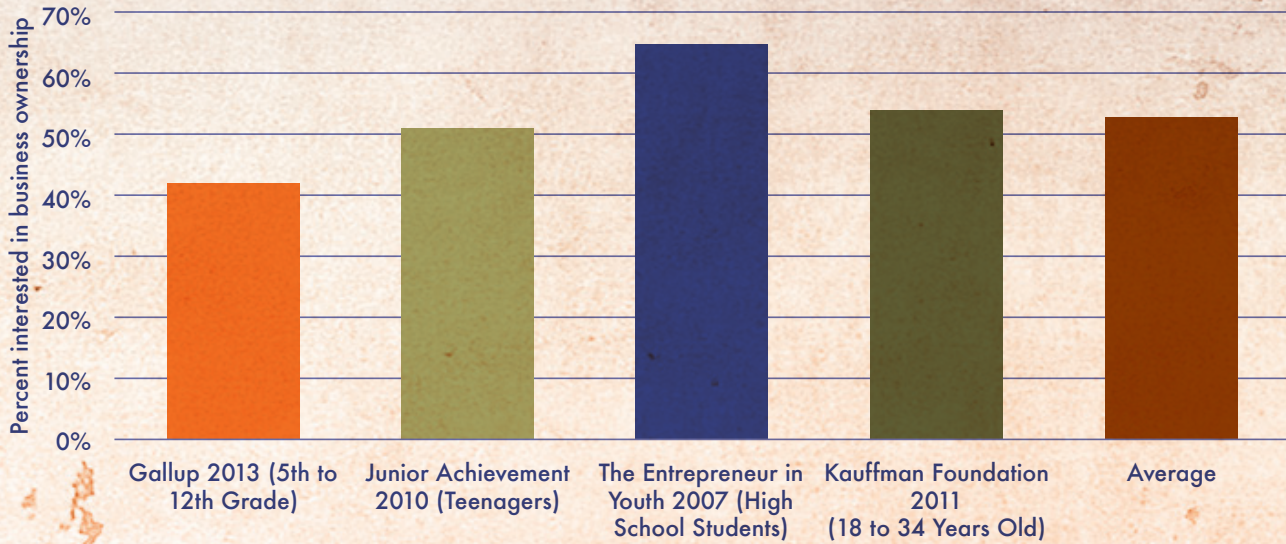
- *Limited risk*
- *Responsible for defined 'job' role*
- *Income negotiated at hiring, rarely driven by profits*
- *Job consumer*
- *Success or failure driven by ability to perform job and employee's value to the business*
- *Can be fired or laid off*
- *Dependent*



**WHAT STUDENTS SEEK VERSUS WHAT STUDENTS RECEIVE**  
Youth entrepreneurship education is more than an academic exercise. Students desire more entrepreneurship education and information.

According to a review of four major polls on youth entrepreneurship, more than half of all students surveyed said they would like to start their own business.

## Youth That Would Like to Start Their Own Business



## Gallup Poll - American Students' Entrepreneurial Intentions by Race, 2011–2013, Grades 5th–12th

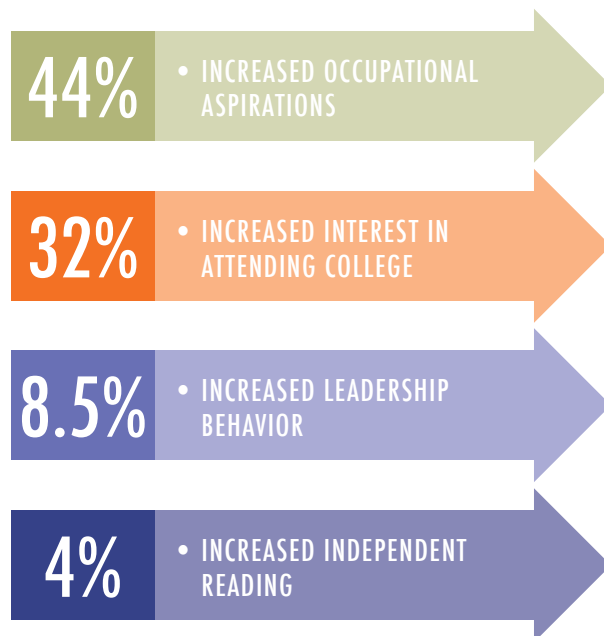


Minority students have shown greater entrepreneurial aspirations than their nonminority peers, according to a Gallup poll (Myers & Sidhu).

According to the same poll, despite the aspirations of students, only 47 percent reported that classes about how to start or run a business were available through their curriculum. This is consistent with research that shows students are seldom introduced, educated, or provided with information and resources on entrepreneurship and self-employment (Schoof, 2006, p. 39).

### STUDENT BENEFITS OF ENTREPRENEURSHIP EDUCATION

Besides creating more businesses and a more competitive American economy, entrepreneurship education provides additional benefits. According to the National Foundation for Teaching Entrepreneurship, the additional benefits include:



Youth entrepreneurship education research has showed that:

...students trained in entrepreneurship and who engaged in a classroom-based enterprise also had a higher sense of personal control and self-esteem than a comparable cohort. These factors are very important in the short-term behavior of students and the likelihood of avoiding destructive criminal behavior (Rasheed & Rasheed, 2003, pp. 15-16).

### EMPLOYER BENEFITS OF ENTREPRENEURSHIP EDUCATION

Entrepreneurship education can help increase the total number of future business owners and create the necessary skills employers seek.

A 2013 national survey of business and nonprofit leaders conducted by the Association of American Colleges & Universities found:

- “Nearly all employers surveyed (95 percent) say they give hiring preference to college graduates with skills that will enable them to contribute to innovation in the workplace.”
- “Ninety-two percent agree that ‘innovation is essential’ to their organization’s continued success.”
- “Nearly all those surveyed (93 percent) say that a demonstrated capacity to think critically, communicate clearly, and solve complex problems is more important than [a candidate’s] undergraduate major.”

YOUTH ENTREPRENEURSHIP EDUCATION



Employers seek students with entrepreneurial traits. This means that entrepreneurship education creates choice and win-win opportunities for students. Although many students may not start their own business, they will develop the key skills today's employers need.

## PROMISING PRACTICES

Although the inclusion of youth entrepreneurship education in schools may be new and not widely available, there are numerous successful programs and practices.

### *Biz World*

Biz World is the largest youth entrepreneurship program in the world, having served more than 500,000 students through classroom-based programs since 1997. Biz World has three programs, BizWorld, Biz-Movie, BizWiz, all of which are available for use by teachers within their classroom setting.

Biz World's most well-known program, BizWorld, gives students from 3rd to 12th grade the opportunity to learn how to start a business by providing a structured program that helps the students start, fund and run their own company, which uses friendship bracelets as their product.

More information on Biz World can be found at <http://www.biz-world.org>.

### *National Federation of Independent Businesses, Entrepreneurship-In-The-Classroom*

Entrepreneur-In-The-Classroom is a free, three module curriculum based on Common Core State Standards. The curriculum covers the basics of entrepreneurship, including defining the subject matter, identifying opportunities and exploring how to start a small business.

More information on Entrepreneur-In-The-Classroom can be found at <http://www.nfib.com/foundations/yef/yef-programs/entrepreneur-in-the-classroom/>.

### *Network for Teaching Entrepreneurship*

Network for Teaching Entrepreneurship works with schools in low-income communities, providing business and entrepreneurship training and curriculum, as well as camps and activities for middle and high school students. It has two core curricula, Entrepreneurship: Owning Your Future, and Exploring Careers for the 21st Century. Each program is 65 hours and provides students with key entrepreneurship and business skills.

More information on the Network for Teaching Entrepreneurship can be found at <http://nfte.com>.

### *University of Nebraska Lincoln Extension, EntrepreneurShip Investigation (ESI)*

EntrepreneurShip Investigation is an interactive, comprehensive curriculum for students ages 10 to 19. It is designed for middle- and high-school-age classrooms and for youth programs outside of a classroom setting. It provides learning opportunities through both interactive, web-based activities and CD-ROMs. It is aligned to school standards.

More information on the University of Nebraska ESI program can be found at <http://esi.unl.edu>.

## CONCLUSION

American education has always had economic competitiveness as a major premise. As the global economy shifts, it is more important than ever that our public education system create strategies and policies to meet modern economic demands. One strategy is the realignment toward youth entrepreneurship-based education. Entrepreneurship plays a large role in the current economy and can positively impact local communities.

Entrepreneurship-based education provides students with key skills to help them start and grow businesses. The same skills employers say they want employees to possess. Entrepreneurship education creates a win-win situation, where students who are trained to be entrepreneurial can either start their own company or be a high valued employee in someone else's company.



YOUTH ENTREPRENEURSHIP EDUCATION





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**The Federal Reserve Bank of Kansas City has a developed the Grow Your Own Guide to Entrepreneurship Based Economic Development for those that are interested in learning more about economic development that focuses on growing local businesses. The guide can be found at:** <https://www.kansas-cityfed.org/publicat/community/gyo/gyo-guide.pdf>.

YOUTH ENTREPRENEURSHIP EDUCATION **10**