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Youth Entrepreneurship Between Necessity and Opportunity: An Empirical Analysis from Palestine

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We use the Palestinian labor force micro-panel data (2009-2016) to examine how both human capital and labor market characteristics affect the transition of youth into self-employment (self-employment decision) or entrepreneurship. This work deal with a vital issue in the Palestinian society which is the youth job transition in the Palestinian labor market. It tries to answer two important questions: What are the main drivers of youth self-employment in Palestine? Is the self-employment an opportunity-driven or a necessity-driven phenomenon?

To estimate the determinants and wage penalty of youth self-employment:

Firstly, we use a standard multinomial logit model (McFadden 1974), where one of the choices for self-employment (Wage employee, employer, self-employed, and unpaid family member), to estimate the determinants of youth entrepreneurship in the Palestinian labor market between 2009 and 2016. In other words, we estimate four multinomial logit models, each corresponding to a group defined job mismatch. The base specification includes individual characteristics of interest (age, sex, marital status, place of graduation, training) as well as locality (urban/rural, West Bank/Gaza strip), labor market characteristics (industry, sector if employment, job type (full-time job, part-time job). We control for labor market conditions in order to understand better the environment which drive workers to select jobs not consistent with their level of education.

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Secondly, most empirical studies worldwide consistently indicate that self-employment causes wage penalties on the individual level. In order to differentiate between a return to paid jobs and

Here we restate the importance role of academic institutions in providing youth with cognitive skills that needed for the transition from school to self-employment.