

ACTION GUIDE 3: YOUTH ENTREPRENEURSHIP AND SELF-EMPLOYMENT

PREVIEW

This is a preview document of **Youth Entrepreneurship and Self-Employment** thematic guide which is part of the *What Works? A Guide to Action* series. The preview aims to provide an introductory overview of the theme while it should not be considered as reference as a full chapter of the guide will be launched soon. *What Works? A Guide to Action* is a joint product of Generation Unlimited and Global Initiative on Decent Jobs for Youth

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PREVIEW OF SECTION 1: THE STRATEGIC CASE

INTRODUCTION - DEFINING THE OPPORTUNITIES AND CHALLENGES

The scope: It is estimated that globally one third of the world's 1.8 billion young people are currently neither in employment, education or training. Of the one billion more youth that will enter the job market in the next decade, only 40 per cent are expected to be able to get jobs that currently exist. The global economy will need to create 600 million jobs over the next 10 years to keep pace with projected youth employment rates (GenU, 2019). Governments alone could not feasibly create so many job opportunities and private sector faces multiple challenges, including a lack of an enabling environment, complex regulations, and absent support functions.ⁱ

The global multi-sector partners from governments, multilateral organizations, civil society, the private sector and young people from around the world that have supported the development of this Action Guide, have therefore prioritized entrepreneurship as a major driver for job creation and economic growth for youth - in view of meeting the urgent need for expanded education, skills training and employment opportunities for young people aged 10 to 24 on an unprecedented scale.

The challenge: The current generation of young people – numbering 1.8 billion – represents one-quarter of the world's population and a dominant socio-economic force now and in the decades to come. If these young people are prepared with the relevant skills to become productive and engaged members of society and have access to a supportive system, they will advance progress towards the Sustainable Development Goals and contribute to overall positive socio-economic development outcomes. An important pathway towards achieving sustainable livelihoods for this cohort of young women and men is entrepreneurship and self-employment, which drives private sector growth and provides economic opportunities, especially when opportunities for wage employment are scarce and the unemployment rate outpaces job growth.

In a world that is rapidly changing and the global challenges are constantly evolving, particularly now, with the onset of COVID-19, Governments have been trying to balance health outcomes with safeguarding livelihoods. Youth in countries with large informal economies, lack of financial support systems for youth, and policy dialogue space are especially vulnerable. Nearly half of the global workforce is at risk of losing their livelihoodsⁱⁱ which is having a disproportionate adverse impact on young workers who are mostly in the informal economy. Based on the UN's World Youth Report 2020, it is estimated that 96.8 per cent of all young workers in developing countries are in the informal economyⁱⁱⁱ and according to the GET Youth 2020, more than 126 million young people in emerging and developing countries are working but living in extreme or moderate poverty^{iv}. MSMEs, which is where most youth entrepreneurs are, is also one of the hardest hit, as it operates in saturated sectors in the informal economy and mostly lacks social protection, which makes it a crucial sector to support.^v

As the world struggles to recover from this global pandemic and its devastating impact on the economy, boosting entrepreneurship skills and opportunities among young women and men become even more important and urgent. Particular importance needs to be given to gender dynamics given that the gap in female entrepreneurship is especially apparent in low-income countries, where young women are much less likely than men to start a new business due to child-care responsibilities, cultural norms, occupational segregation, lower social human and financial capital.^{vi} In the wake of a global pandemic, women and girls face especially

disproportionate impacts with far reaching consequences that are only further amplified in contexts of fragility, conflict, and emergencies.^{vii}

The opportunity: While these are complex challenges and risks to tackle, the new reality also represents a once in a generation opportunity for transformation. The COVID-19 pandemic has accelerated the global economy's need for change and for creation of new markets and avenues that did not exist before. Youth-led micro and small enterprises can be vital in countries with limited formal employment options, for providing in/formal employment, ensuring household economic security for business owners, as well as for generating innovative solutions to adapt to changing needs and circumstances.

According to the Small Matters Report, the latest estimates indicate that over two-thirds (70 per cent) of total global employment is provided by small economic units^{viii}. With the solid empirical evidence confirming that micro and small enterprises are a major job creation engine^{ix}, investing in quality opportunities for youth entrepreneurship and self-employment is key to foster economic growth while meeting young people's aspirations. Youth entrepreneurship can also be a tool that leads to sustainable economic growth and social development while offering self-reliance to the young entrepreneurs and job opportunities to the community as a positive spill-over effect. In fact, youth-led enterprises can trigger significant momentum for youth-led job creation, given that start-ups account for up to 50 per cent of newly created jobs, and young entrepreneurs primarily employ their peers^x.

Despite the opportunities, for entrepreneurial activities to flourish and translate into productive, quality jobs, it is also important to nurture an enabling business environment underpinned by a conducive regulatory framework, adequate infrastructure, financial services, and human capital. It is important to promote successful holistic models approaching the entrepreneurship immersion process (i.e. mindset, culture, training, skills-building, confidence and resiliency) and the overall ecosystem as a whole, including facilitating access to markets, in order to create many more new job-creating enterprises.

In addition to entrepreneurship's critical role in advancing sustainable self-employment among youth, developing entrepreneurial skills and mindset is also key in wage employment. 40% of respondents in the WEF's Future of Jobs Survey expect demand by employers for entrepreneurial mindsets to grow. Secondary and post-secondary education provides an excellent opportunity to expose young people to skills and mindset. Beyond sustainable self-employment, youth entrepreneurship is also critical because it helps young people improve soft skills, which are increasingly critical to future success.

Youth entrepreneurship and self-employment also foster local innovation and improve the resilience of young people on the job market, particularly relevant in the context the 2020 pandemic, as they encourage young people to find new business solutions to social and economic challenges. Consequently, youth-led social entrepreneurship has proved to hold great potential in mobilizing young people to address these challenges.^{xi} As social entrepreneurship leverages young people's talents and capacities, it can support individual development and efforts to effect change. Youth social entrepreneurship in support of the 2030 Agenda represents a nimble and flexible option that allows a wide array of partners from all sectors to come together with youth and serve communities while generating employment thus it offers one extremely promising and socially advantageous self-employment option for young people.^{xii}

The goal of this guidance is to present some of the practical approaches and initiatives on youth entrepreneurship that have shown positive results in the field given the complexities and diversity of backgrounds of young people as they transition into the labour market.

PREVIEW OF SECTION 2: WHAT WORKS

SOLUTIONS

Supporting young people to succeed in self-employment is critical for their own livelihoods as well as for inclusive economic growth. Fostering entrepreneurship can positively impact earnings, employment and business performance outcomes among youth. A systematic review of youth employment interventions showed that entrepreneurship promotion interventions in low- and middle-income countries leads to increased employment probability and hours worked among youth as well as positive effects on earnings and consumption. It can nevertheless be difficult to create the right conditions for youth entrepreneurship without a holistic and focused approach for the development of an enabling entrepreneurship ecosystem to optimally support youth and leverage their potential. While it is widely acknowledged that young entrepreneurs can play an important role in facilitating economic and social development and inclusion, existing ecosystems rarely harness their full potential. When enabling and adapted entrepreneurship ecosystems are in place, realizing the full potential of youth entrepreneurship — from both a youth development and a community perspective — can be within reach.

Matching skills development and entrepreneurship training with economic growth areas is a central element of fostering entrepreneurship and entrepreneurial mind-set. Entrepreneurship skills and training programmes need to be responsive to strategic growth areas. Skills development can be achieved through integrating entrepreneurship in national education curricula at all levels, the provision of toolkits for skills development in formal and informal skills training programmes, initiatives in partnership with the private sector as well as train-the-trainers programmes.

Box Spotlight: Combining skills acquisition

In **Nigeria**, entrepreneurship is part of the secondary school curriculum and entrepreneurship studies are compulsory subjects for all university undergraduates, while in **Rwanda**, entrepreneurship is offered at both the Ordinary (O-Level) and Advanced Level (A-Level) in secondary school to ensure that educational outcomes are aligned with the labour markets' needs. Entrepreneurship has been integrated in several countries' technical and vocational education training systems (TVET). Formal TVET systems provide formal education, training and assessment of skills required in the workplace through schools, colleges, institutes, polytechnics and workplaces as well as other registered training organizations, and offer some form of certification or qualification.

In **Kenya**, entrepreneurship education is a compulsory and examinable subject in all technical and vocational schools. Know About Business (KAB) is now offered through Kenya's TVET, also referred to as TIVET—Technical, Industrial, Vocational and Entrepreneurship Training - to reflect the integration of industrial components and entrepreneurship into the programme. ILO's flagship entrepreneurship training package, **Start and Improve Your Business**, is a programme designed with an institutional approach and a multiplier strategy which aims to enable local providers of business development services to implement business start-up and improvement

training effectively and independently while also enabling women and men to start viable businesses, to increase the viability of existing enterprises and, in doing so, to create quality employment for others. So far, the SIYB programme has trained more than 15 million and has created more than 9 million jobs, 50% of which were women and young girls. ^{xiii}.

Bringing young entrepreneurs and youth-led enterprises into local, regional and global value chains increases their access to markets, generates new business opportunities and encourages positive spill over effects in technology and information. Strengthening cooperation and collaboration between actors within the value chain promotes the transfer of knowledge and technology, stimulates innovation and leads to the value chain being upgraded in various ways. Leaders in the chain have a key role to play in transferring knowledge to their suppliers. Evidence shows that foreign firms typically make their technologies widely available to their local suppliers to avoid delays in the delivery process.

Access to finance: Programmes that address financial capital constraints experienced by young entrepreneurs are more likely to work, especially when combined with training and advisory support. Absence or lack of financial capital at appropriate levels and at the right time is a constraint youth cite in every region, most often due to the micro size of most youth-led businesses and their lack of a reputation, credit history, exposure to cultural barriers that financial institutions have towards youth entrepreneurs, institutional barriers etc^{xiv}. Mechanisms that can reduce the financial constraint for young entrepreneurs include alternative credit scoring for young people who lack credit history, peer-to-peer lending, business plan competitions and start-up grants. Building and enhancing the capacities of financial service providers is a prerequisite for better access to finance in combination with improved technical support.

Support social entrepreneurship: Social entrepreneurship is any entrepreneurial activity undertaken with the explicit objective of addressing societal problems. It seeks to generate profit for a purpose, employing sustainable economic logic to achieve social imperatives, and can complement other public and private efforts — in particular those aimed at responding to the needs of marginalized segments of society.^{xv} Youth are increasingly demanding greater inclusion and meaningful engagement and are taking action to address development challenges themselves, including through social entrepreneurship.^{xvi} As such, a supportive environment is essential for young social entrepreneurs. An enabling ecosystem for youth social entrepreneurship fosters innovation, promotes social inclusion, provides a solid foundation for tackling youth unemployment and underemployment, and advances sustainable development. It is crucial that social entrepreneurship support ecosystems be developed using an evidence-based approach that mobilizes multiple stakeholders, including young people, and generates synergies between all elements of the ecosystem.

Uganda Educate! – social entrepreneurship

In **Uganda**, the **Educate!** initiative tackles youth unemployment by partnering with schools and governments to reform what schools teach and how they teach it so that students in Africa have the skills to attain further entrepreneurship education, overcome gender inequities, start businesses, get jobs, and drive development in their communities. Through the initiative young people have receive trainings, educational tutoring, and other skills programmes to build entrepreneurial and social entrepreneurship skills. The Educate! Experience improves the skills of youth and supports them in overcoming gender barriers, and these skills, in turn, encourage investments in education which over time leads to positive livelihood and employment outcomes. In 2019, Educate! partnered with the government to pilot in 60+ schools in Kenya,

worked in 275+ secondary schools in Rwanda, and 800+ schools in Uganda (25% of the country) reaching over 46,000 in- and out-of-school youth intensively and 470,000 more broadly.

Overall, the evaluation of the initiative has highlighted that the programme had statistically significant impacts on the development of soft skills, such as creativity, grit, ability to manage stress and higher levels of self-efficacy. The Educate! graduates were also more knowledgeable about identifying opportunities for business, better at deliberative dialogue and better at identifying win-win strategies compared to those in the control group.

ⁱ UNIDO - Creating an enabling environment for private sector development in sub-Saharan Africa

ⁱⁱ ILO: As job losses escalate, nearly half of global workforce at risk of losing livelihood

ⁱⁱⁱ UN WORLD YOUTH REPORT: Youth Social Entrepreneurship and the 2030 Agenda

^{iv} ILO Global Employment Trends for Youth 2020

^v ILO – SME Resilience <<https://www.ilo.org/empent/units/boosting-employment-through-small-enterprise-development/resilience/lang--en/index.htm#whatweknow>>

^{vi} UNICEF, Unpacking School-to-Work Transition: Data and evidence synthesis, UNICEF, New York, 2019.

^{vii} UN Women – How COVID-19 Impacts Women and Girls

^{viii} Small Matters Report - Global evidence on the contribution to employment by the self-employed, micro-enterprises and SMEs

^{ix} ILO, Small and medium-sized enterprises and decent and productive employment creation, International Labour Office, Geneva 2015,.

^x Decent Jobs for Youth Synopsis

^{xi} Ibid.

^{xii} UN WORLD YOUTH REPORT: Youth Social Entrepreneurship and the 2030 Agenda

^{xiii} ILO - Start and Improve Your Business Programme

^{xiv} OECD - Policy Brief on Access to Business Start-up Finance for Inclusive Entrepreneurship

^{xv} Policy Brief on Access to Business Start-up Finance for Inclusive Entrepreneurship

^{xvi} Ibid.