5 YOUTH ENTREPRENEURSHIP & SELF-EMPLOYMENT
UNLEASHING THE POTENTIAL OF YOUTH TO SUCCEED IN BUSINESS AND TO ACCESS DECENT WORK
1 Decent Jobs for Youth – the global initiative for action

1.1 Objective

Decent Jobs for Youth is the global initiative to scale up action and impact on youth employment under the 2030 Agenda for Sustainable Development. Launched in 2016 with the endorsement of the executive heads of the United Nations, Decent Jobs for Youth is a unique platform for partners to address fragmentation and catalyse effective, innovative and evidence-based action at country and regional levels.

1.2 Partners

Decent Jobs for Youth brings together the resources and expertise of multiple partners to create linkages that maximize the effectiveness of youth employment investments. The initiative recognizes the important roles of governments, social partners, the UN System, youth and civil society, the private sector, regional institutions, parliamentarians, foundations, academia and the media in promoting decent jobs for youth. The partners of Decent Jobs for Youth subscribe to 15 guiding principles, which steer their actions and investments on youth employment.

1.3 Strategy

- Building a strategic alliance to advocate, ensure policy convergence, stimulate innovative thinking and mobilize resources
- Scaling up evidence-based action and impact across eight thematic priorities in line with the 2030 Agenda for Sustainable Development
- Sharing and applying knowledge by capturing, analysing and sharing best practices, highlighting innovative approaches and facilitating learning
- Mobilizing resources by securing high-level commitments from national, regional and international actors

1.4 Priorities for action

Eight thematic priorities to make a difference in the lives of young women and men – and in our world. Thematic plans identify areas for enhanced action and impact on decent jobs.

- Green jobs for youth
- Digital skills for youth
- Quality apprenticeships
- Youth in fragile situations
- Youth transitioning to the formal economy
- Youth in the rural economy
- Youth entrepreneurship and self-employment
- Young workers in hazardous occupations

3 Youth Entrepreneurship & Self-employment
2 Why action is needed

Entrepreneurship and self-employment provide economic opportunities for the world’s largest-ever population of young women and men to create more and better jobs in the private sector. Globally, the private sector drives jobs growth, accounting for 87 per cent of total employment in the formal and informal economies in 2016. The majority of the world’s 1.2 billion young people aged 15–24 live in developing economies, where small and medium-sized enterprises (SMEs) account for 52 per cent of total employment. SMEs and young firms are often more dynamic than large firms where employment growth is concerned. Yet, with a growing number of young people entering the labour market and limited opportunities for job creation, unemployment and disengagement are threatening sustainable development and social stability, and may cause people to migrate in search of jobs. In fact, unemployment figures understate the true extent of the challenges in the youth labour market. More than 160 million young people in emerging and developing countries are working, but living in extreme or moderate poverty. When young people acquire the skills and economic opportunities to realize their potential, this demographic dividend can help stimulate youth-led job creation.

Unleashing the potential of young women and men as drivers of job creation and economic growth is not only desirable but critical for sustainable development. Young entrepreneurs are more active in sectors of high growth and more likely to hire other young employees and pay them higher wages than older firms would. 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. Young people show significantly higher levels of entrepreneurial initiative than adults (1.6 times higher). Yet, the established business rate among adults is substantially higher than for youth, pointing to the need for enhanced support for young entrepreneurs. Youth entrepreneurship and self-employment also foster local innovation and improve the resilience of young people on the job market, 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.

Urgent action is needed to address the critical challenges that young people encounter in their drive for entrepreneurship and self-employment. The main challenges are

- **Lack of enabling policy, regulatory and institutional environments**, including high registration costs for businesses, cumbersome administrative procedures, obstructive taxation and legal systems, and discriminatory policies and practices, including negative misconceptions about the entrepreneurial skills of disadvantaged groups such as young people with disabilities;

- **Weak entrepreneurial environments**, compounded by inhibitory attitudes to entrepreneurship within societies, fear of failure, limited entrepreneurship and

---

networking opportunities, a lack of platforms to foster the commitment of entrepreneurs and their exchange and transfer of knowledge, and limited access to markets;

- **Limited access to finance and investment opportunities**, due to a minimum capital requirement, the lack of collateral, higher risk profile and consequent reluctance of financial institutions to lend money;

- **Limited skills and knowledge transfer**, which continues to impede young entrepreneurs from being "fit for purpose" and establishing their own businesses, gaining access to technology, developing entrepreneurial skills and pursuing their education.

These challenges are further exacerbated among disadvantaged young people, who encounter distinct challenges in the labour market and require particular support mechanisms to succeed in business. Despite recent increases in the overall entrepreneurial activity rate of women, further efforts are still needed to narrow the gender gap in entrepreneurship, including by tackling the higher rates at which women’s businesses are discontinued, compared to men’s.9 Young women continue to encounter gender-based barriers to starting and growing their businesses including cultural practices, limited mobility, voice and representation, and an unequal share of family and household responsibilities. In addition, barriers to wage employment in the private and public sector often lead young people with disabilities to consider starting their own businesses, yet entrepreneurship support schemes must become more inclusive for them to realize their full potential.

Self-employment among young people can be voluntary and profitable. It is important to distinguish this from self-employment as a coping mechanism used by young people who have no alternative source of income or employment and who therefore become their own “employer” as a last resort. The challenges vary greatly among these groups. Entrepreneurs by choice select this form of remunerative activity over other employment alternatives, with a view to boosting their income or gaining more independence. Entrepreneurs by necessity, also known as subsistence entrepreneurs, face insufficient labour demand and therefore lack formal employment opportunities, and must attempt entrepreneurial ventures in the low productivity and dire working conditions prevailing in the informal economy.

To succeed, young entrepreneurs require the commitment of multiple actors and sectors at all stages of the business cycle. Mature SMEs owned or managed by young people need support to scale up their businesses through increased market exposure and integration into clusters,10 and also into national, regional, and international markets and value chains. Existing SMEs owned or managed by youth need improved access to technology, investment opportunities and financing mechanisms, together with support in developing linkages between markets and value chains to increase the viability and profitability of their enterprises. Young people with micro and small enterprises need support in building and strengthening their entrepreneurial skills to react and benefit from market opportunities, financing, networking and peer-support. The potential young entrepreneurs, on the other hand, require support in accessing education and training in entrepreneurship and on how to start and sustain a business, including for entrepreneurs in digital and platform economies.

10 Clusters: groups of interconnected companies and associated institutions. Clusters produce similar or related goods or services and are supported by a range of dedicated institutions located close to one another, such as business associations or training and technical assistance providers.
3 Evidence and innovations

3.1 How best to promote decent jobs for young people through entrepreneurship and self-employment

3.1.1 Creating an enabling business environment

Evidence shows that effective reforms in business environments lead to the emergence of new firms and job creation. Entrepreneurship that encourages employment must be underpinned by policies that can effectively provide the right regulatory environment, enhance technical and non-technical entrepreneurial skills and improve access to infrastructure and financial services, while compensating for the potential displacement of existing enterprises and jobs by means of social insurance and social protection systems. Reforms that aim significantly to reduce the time and costs of business procedures and simplify business registrations have proved effective as incentives for business registration, including through one-stop shops and electronic businesses.

Evidence also points to a significant link between an improved enabling environment and job creation, with more extensive effects on employment for smaller enterprises. That said, however, lessons from business environment reforms in sub-Saharan Africa and South Asia highlight the need to develop more targeted approaches for disadvantaged groups, including women and youth.

Social dialogue and tripartism support the sustainability of an appropriate business environment. They are key success factors to foster cooperation and economic performance, helping to create an enabling environment for the realization of the objective of decent work for young women and men.

3.1.2 Facilitating access to markets, networks, knowledge and skills

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 spillover 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.

---

Appropriate skills development, particularly in the areas of vocational training, entrepreneurship skills and technical skills, helps equip young women and men with the skills that they need to pursue entrepreneurial activities. Evidence from the United Republic of Tanzania has shown that business training enables entrepreneurs to better identify profitable business opportunities, leading to changes in business practices and to higher sales, profits and improved well-being. Evidence from Kenya suggests that the well-structured and targeted entrepreneurial training of (micro) enterprises has no negative spillover effect on competition, but actually supports the development of small and underdeveloped markets in the long term. Improvements in sales and profitability result from overall economic growth and do not come at the cost of enterprises that have had no training. Skills development can be achieved through train-the-trainers programmes, the provision of toolkits for skills development, initiatives in partnership with the private sector and by integrating entrepreneurship into national education curricula.

Networks and peer-to-peer support play a crucial role in facilitating the start-up, development and growth of enterprises. They support the identification of promising opportunities, the mobilization of financial resources, the dissemination of information and affordable technology and they foster innovation. Entrepreneurs tend to rely on their networks for capital, labour, skills, risk sharing, knowledge, and advice. Research into entrepreneurship shows that the presence of peers with prior experience reduces unsuccessful ventures. Evidence from India shows that business counselling and assistance has had a significant and immediate impact on the business activity of women entrepreneurs, but only if they were trained together with a female partner. Women’s partnerships like these were more likely to take out new business loans.

Information and communication technologies (ICTs) can significantly support young women and men in realizing entrepreneurial opportunities, by enabling young people to acquire useful skills, including financial, entrepreneurial and digital literacy skills, and increasing their exposure to clusters and access to markets. The use of mobile phones has proved to be an important business tool, especially for young female entrepreneurs in rural areas, as it allows them to grow their business, through improvements in marketing, the location of customers and communication, and through time savings. In addition to improved information and connectivity, ICTs open up the possibility for young women and men to reap even greater benefits from access to new technologies, by applying innovative solutions within their enterprises, such as green technologies, crowdfunding and credit platforms. Consequently, by community-based support and networking, and taking advantage of the opportunities provided by ICTs, access to information and to affordable technology is improved, and this in turn encourages innovation and opens up opportunities for entrepreneurship and self-employment for young women and men.

---

3.1.3 Improved access to finance

Access to finance for young entrepreneurs should be combined with training and support services. Greater success rates are achieved when entrepreneurship activities provide access to finance in combination with training and advisory support. In general, businesses providing multiple services have greater impact than stand-alone services. The evidence is less conclusive when it comes to the provision of grants to grow and expand existing businesses. Business grants provided without any guidance in the form of training failed to generate significant measurable returns. An analysis of women’s entrepreneurship compellingly demonstrates the merits of a package of services combining capital transfers, asset-specific training and technical assistance, the provision of cash stipends and access to savings, and often health education and coaching in life skills.

Building and enhancing the capacities of financial service providers is a prerequisite for better access to finance in combination with improved availability of other, non-financial, business development services. Providers require the means to develop affordable, responsible and accessible financial services, tailored to the financing needs of young women and men. This involves implementing inclusive measures to create equal opportunities for disadvantaged groups of young people, including those with disabilities, to access the financial services of these providers, which must also endeavour to raise the awareness of their staff on the rights of young women and men.

3.2 Innovative approaches to youth entrepreneurship and self-employment

3.2.1 Dedicating a youth entrepreneurship strategy to create an enabling business environment

If they are to succeed, dedicated youth entrepreneurship strategies must follow a holistic, integrated approach to creating enabling policy, regulatory and institutional environments for young people’s entrepreneurship and self-employment. By recognizing that youth employment is a cross-cutting issue, a national youth entrepreneurship strategy needs to be consistent with other policy areas, including those of employment, education and skills development, technology and innovation, ICT, access to finance, and trade. The strategy needs to ensure the creation of an enabling regulatory environment for youth-led enterprises, including for innovative business solutions through social entrepreneurship led by young women and men. Mainstreaming young women and men in national development plans for the creation and development of youth-led enterprises would seem to be a promising approach when it places a focus on strategic sectors with high growth potential.

23 ILO: Interventions to Improve the Labour Market Outcomes of Youth: A systematic review of training, entrepreneurship promotion, employment services and subsidized employment interventions (Geneva, 2016).
26 L. Berge et al., op. cit.
While as yet not much information has been gathered about the implementation of dedicated youth entrepreneurship strategies, it is clear that these strategies would need, first, to respond to market requirements and local context and to the challenges of young entrepreneurs; second, be developed in consultation with all stakeholders; and, third, be in line with development priorities (for example, by creating green jobs) and socially inclusive (in particular with regard to individuals with disabilities, those from ethnic minorities, and so on).

### 3.2.2 Promoting an inclusive environment for entrepreneurship

Innovative approaches to promoting access to networks and peer-to-peer support should focus on partnerships with youth associations and business organizations, including business associations, professional networks, chambers of commerce and new types of entities like business incubators, coworking spaces, accelerators, and entrepreneur communities and hubs. Promoting youth-led social entrepreneurship as a fast-growing sub-sector of youth entrepreneurship offers great potential by mobilizing efforts by young people to meet the pressing challenge of youth employment, given their commitment to supporting their peers.\(^{29,30}\)

To promote social entrepreneurship it is vital, first and foremost, to look at the economic viability of an enterprise, while supporting efforts by entrepreneurs to make a greater development impact, in a socially inclusive and environmentally sound manner.

### 3.2.3 Innovative and novel financing mechanisms

More and more, young entrepreneurs are exploring innovative means of financing to overcome the challenges posed by traditional avenues of access to finance. Mechanisms such as impact investing and crowdfunding are gaining importance in improving access to finance for young entrepreneurs. A number of crowdfunding platforms, which also tap into diaspora support and remittances, and affect investment efforts, already provide valuable insights.\(^{31}\)

Furthermore, young entrepreneurs are exploring innovative financing mechanisms, such as mobile financing, peer-to-peer lending and investment, which enable established entrepreneurs to connect with emerging entrepreneurs and thereby increase lending, equity investment, and business mentoring, while preserving adequate regulatory oversight and business consumer protection. These mechanisms can be complemented with investment promotion initiatives and platforms, where young entrepreneurs can pitch their business ideas directly to investors.

### 3.2.4 Engaging the private sector and young people in the promotion of youth entrepreneurship and self-employment

Business incubators and accelerators are increasingly recognized as support mechanisms for young entrepreneurs to start and grow their businesses. These structures can have a variety of different forms, ranging from physical institutions and virtual platforms, to combined approaches. Their focus can be sector-specific (such as incubators in the ICT and agribusiness

\(^{29}\) M. De Hoyos-Ruperto et al.: “Networking: a critical success factor for entrepreneurship”, in American Journal of Management (2013, vol. 13(2)).


\(^{31}\) See, for example, Diaspo4Africa, M-Changa in Kenya, Idea.me in Latin America, VC4A investor network in Europe, Kickstarter in the USA.
sectors), or designed to provide targeted services (market linkages, access to investors). There are also a number of programmes run directly by private sector companies.

**Private sector-led initiatives that provide sector knowledge, including entrepreneurship training, and linkages to markets and value chains can be effective in ensuring market-relevant information.** Innovative approaches must be followed and more research conducted into the effectiveness of other forms of private sector participation in the promotion of youth entrepreneurship, for example on effective approaches designed to include youth-owned enterprises in value chains.

**If efforts are made to engage established and aspiring young entrepreneurs in the design of skills trainings and innovative delivery methods, these will help to ensure that the assistance provided responds to the needs and challenges of youth.** Training toolkits can be developed in cooperation with youth-led organizations to ensure that the tools and language applied appeal to young entrepreneurs. Innovative ICT-based training delivery methods, for example e-learning, mobile learning and micro learning, offer solutions to customize access to the needs of young women and men.

### 4 Action on youth entrepreneurship and self-employment

#### 4.1 Promoting an enabling policy and regulatory environment

Decent Jobs for Youth seeks to promote an enabling policy and regulatory environment where young women and men can seize economic opportunities offered by entrepreneurship and self-employment. Decent Jobs for Youth and its partners therefore rely on an integrated approach that prioritizes gender equality, non-discrimination and the protection of young people’s rights.

1. **Promote results-driven multi-stakeholder collaboration on youth entrepreneurship**

   At the country level, dialogue and collaboration will be strengthened between the government and various actors such as the private sector, academic bodies, United Nations organizations and youth associations. There will be coordination among different ministries and government institutions to build policy bridges related to youth entrepreneurship. The voice of young entrepreneurs will be actively encouraged, through youth chambers of commerce, associations and representatives, to ensure the credibility and relevance of such policy dialogue. Accountability and follow-up on the dialogue and actions for collaboration is critical and will be advocated by partners of Decent Jobs for Youth. Close cooperation and involvement of workers’ and employers’ organizations based on social dialogue and tripartism is a key success factor in promoting youth entrepreneurship and self-employment.

2. **Integrate youth entrepreneurship in national strategies**

   Decent Jobs for Youth will stimulate and strengthen opportunities for young entrepreneurs and integrate them within national level strategies and development plans. Embedding youth entrepreneurship in national strategies will require an increased awareness of the issues faced by young entrepreneurs, the added value to an economy and consultations with multiple stakeholders. Furthermore, such integration needs to be carried out with due consideration of other policy areas, including education, employment, technology and innovation, ICT, environment, health, industry and trade.
3. Strengthen the institutional framework and business environment for young entrepreneurs

Reforms to the national institutional framework and business environment will be promoted to ensure better support for young entrepreneurs in their efforts to start, operate and expand their business activities. Positive incentives, including innovative solutions to minimize costs, can foster a conducive business environment for young entrepreneurs, including young social entrepreneurs, and contribute to tackling informality. These include improved conditions for business registration, taxation, access to finance, export promotion, standards, and intellectual property rights, with a view to facilitating effective development in the private sector. Beyond making the business environment more conducive to youth entrepreneurship and self-employment, a particular focus should also be placed on making information about the business registration procedures and taxation policies available to youth.

4.2 Facilitating access to markets, networks, knowledge and skills

Decent Jobs for Youth seeks to support young entrepreneurs in their efforts to access markets, networks, knowledge and the skills needed to create, develop and scale up sustainable businesses, with a particular focus on young women.

1. Reinforce market linkages and integration into value chains and improve access to information and technology for young entrepreneurs

If young entrepreneurs want to be competitive, they must have access to market information and new technology. Strengthening coordination along value chains and promoting links between youth-led enterprises and lead firms will not only help young women and men to realize new business opportunities but will also lead to technological spillovers and improve access to information on market needs and requirements. The Decent Jobs for Youth initiative will facilitate building connections with local, regional and global actors of the value chain through institutions for business support, direct partnerships, business to business events and other business networking channels.

2. Promote and enhance online and offline hubs and communities for young entrepreneurs

Online and offline platforms, networks, hubs and communities will be strengthened to provide support services specific to youth, to facilitate the exchange of knowledge and to build business relationships. Peer-to-peer support will be of particular importance for young entrepreneurs, by tapping into their resourcefulness and harnessing their potential in identifying the needs of their peers and the challenges that they face.

3. Improve the scale and quality of entrepreneurship education and skills development, coaching and mentoring

Decent Jobs for Youth will assist education and training providers in reducing existing skills mismatches and ensuring that curricula respond to existing market demand by including and enhancing technical, vocational, business, digital and soft skills components. It will foster the provision of guidance and business-specific advice to young entrepreneurs through close collaboration between business associations, coaches, mentors and industry experts. A particular focus will be placed on combining technical and entrepreneurial skills development measures.
4.3 Facilitating access to finance

Together with financial institutions and service providers, Decent Jobs for Youth seeks to support young entrepreneurs in their efforts to access adequate financing mechanisms, and overcome the challenges that they face, including limited collateral or high risk.

1. Increase availability of financial services specifically targeted at young people

The development and delivery of financial services tailored to the needs of young entrepreneurs will be promoted. By strengthening the capacity of financial institutions and service providers, young entrepreneurs will have at their disposal financing mechanisms that overcome challenges such as limited collateral, high risks and high costs of financing.

2. Increase access to finance for young entrepreneurs through innovative financial mechanisms

The initiative will actively encourage the linking of young entrepreneurs with various financing opportunities, including crowdfunding, peer-to-peer mechanisms and impact investments. By capitalizing on ICTs, young entrepreneurs will have much better access to finance with increased information and new ways of realizing investment opportunities.

3. Equip young entrepreneurs with financial capabilities

Financial capabilities, which combine the attitude, knowledge, skills and self-sufficiency needed to make informed financial decisions, at both the enterprise and the household level, will be developed through customized training and capacity-building programmes for young entrepreneurs.
SCALING UP ACTION & IMPACT ON YOUTH EMPLOYMENT

CONTACT    DECENTJOBSFORYOUTH@ILO.ORG
ENGAGE      WWW.DECENTJOBSFORYOUTH.ORG
FOLLOW      @DECENTJOBSYOUTH
SHARE       #DECENTJOBSFORYOUTH