

Demand and supply: youth entrepreneurship in context

Rajkumar Bidla

Introduction

There appears to be growing recognition that youth employment should be declared a priority in the policy agendas of Commonwealth member countries. Often this is discussed in terms of skills shortages, education quality and relevance, and the regulatory environment. But in many cases, policy impact is very limited, and when targets are established they deal with modest objectives for reducing unemployment or creating a number of training opportunities, rather than focusing on generating sustainable jobs, improving the *quality* of jobs (decent work) and reducing *vulnerabilities* (social exclusion). How widely are policy interventions used to boost the demand for skills and services of young people? More and better social dialogue is needed to improve social protection for young people and tailor labour market reforms to their capacities, needs and situation.

Young people who are neither in employment nor in education have become a serious concern for policy-makers around the world and in the Commonwealth as well. This group, called NEET (Not in Education, Employment or Training), often constitutes at least ten per cent of the youth population.

Regional patterns

In Asia, for example, young people are twice as likely to be unemployed compared to other adults; while in the Pacific, young people are four times as likely. However, Asia is also home to more than one billion 'working poor' – individuals who are employed but remain in poverty – who, according to the International Labour Office, earn less than €1.55 a day.

The impact of the financial and economic crisis in ten African economies and labour markets in 2008–10 has been discussed in the International Labour Organization and World Bank (ILO/WB) policy inventory. Out of ten countries that face the challenge of massive increases in population size, mainly youth, six are Commonwealth members. In Nigeria, for example, 47 per cent of the population is below 15 years of age. In Mozambique, between 2001 and 2010, the cohort of youth aged 20–24 years increased, on average, by 2.22 per cent a year. Ghana's economy needs to create 230,000 jobs every year just in order to cope with its increasing population size. While population growth has not changed as a result of the global economic downturn, the available evidence in these countries shows that it has made the school-to-work transition even more difficult.

Approximately 64 per cent of the population in the Caribbean Community (CARICOM) is below the age of 30. More than a

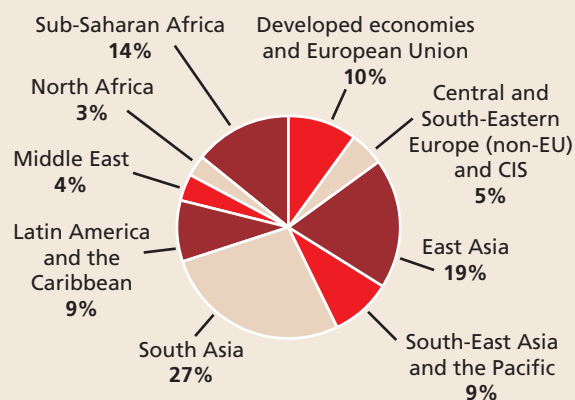
quarter of the region's unemployed are between 25 and 34 years of age, including graduates of secondary and tertiary institutions;¹ and in most of these countries the youth unemployment rate is more than twice that of older adults.

In the 34 member countries of the Organisation for Economic Co-operation and Development (OECD), on average, many of the indicators tended to worsen in the period between 2000 and 2010.² The youth unemployment rate and the incidence of long-

Box 1

The youth bulge

Regional distribution of the youth population, 2012



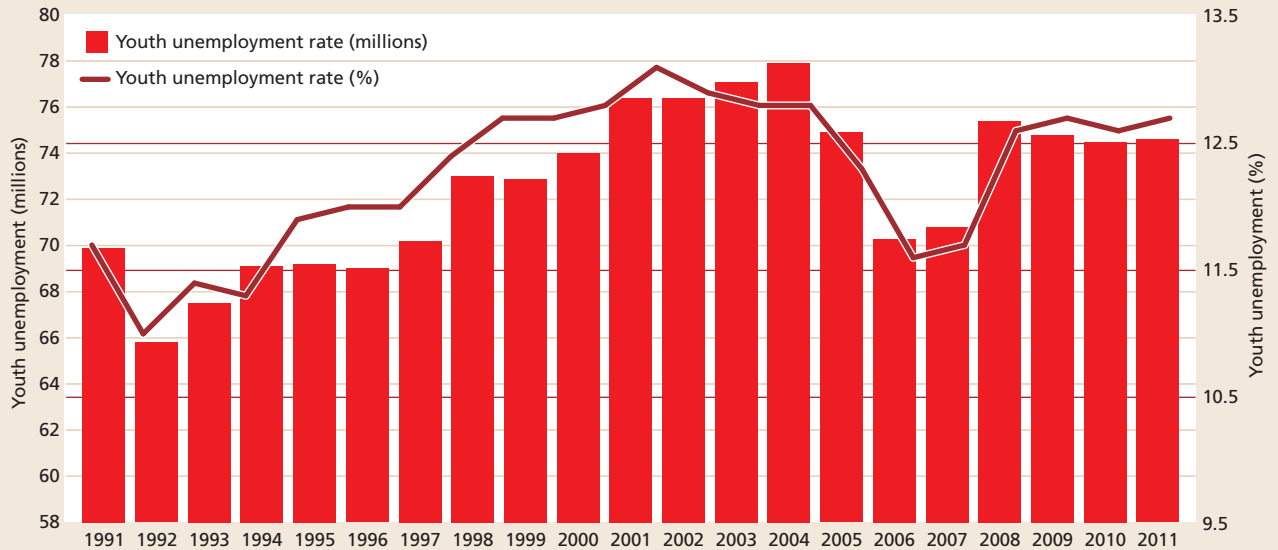
Source: United Nations: World Populations Prospects, the 2010 Revision database

Approximately 59 per cent of the world's youth population lives in the Commonwealth. 'The youth bulge is a dividend in the making economically, if countries get it right,' says William Reese, President of the Baltimore-based International Youth Foundation (IYF). 'And a liability if, for whatever reasons – economic or political stagnation – they get it wrong.'

According to the 2013 World Development Report (WDR), published annually by the World Bank, Sub-Saharan Africa's labour force grows by about eight million people and South Asia's by about 12 million every year. In Africa, which has the largest demographic 'youth bulge', the youth cohort continues to grow: almost half (42 per cent) of the population in Sub-Saharan Africa is under 14 years of age. Between 2010 and 2020, the number of youth living in the region is expected to increase by 42.5 million.³

Figure 1

Global youth unemployment and unemployment rate, 1991–2011



Source: ILO, Trends Econometric Models, April 2012

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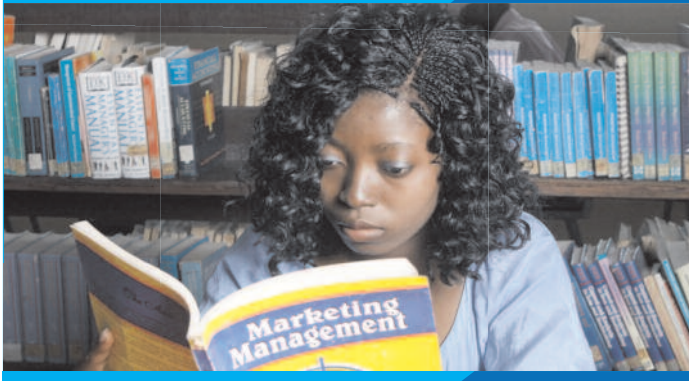


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term unemployment, temporary work and part-time work have all risen. The only indicator that showed a slight improvement was the incidence of NEET, which, for a period, declined slightly. However, according to the OECD, in the second quarter of 2010, the NEET rate climbed back up to 12.5 per cent, from 10.8 per cent in 2008.

In 2011, nearly 75 million youth were unemployed around the world, a rate of 12.6 per cent and an increase of more than four million since 2007 (see Figure 1). Medium-term projections (2012–16) suggest little or no improvement.

Youth entrepreneurship

Clearly, a large part of improving this situation is to have young people employing themselves and their peers. Entrepreneurship itself is a relatively new area of research, and youth entrepreneurship is even more recent. Much of the research literature is of high-income or middle-income countries and there is a lack of empirical evidence from the Commonwealth countries, largely due to unavailable data. Typical challenges include:

- Lack of an enterprise culture (expectations) or entrepreneurship education and training
- Unfavourable legal, policy and regulatory frameworks for youth entrepreneurship
- Lack of access to affordable financing in the form of start-up, investment or working capital
- Little access to relevant support or business development services

Methods of addressing these constraints – for example, ‘one-stop’ shops, youth enterprise centres, business incubators, and entrepreneurship and start-up training – are increasingly being tried out within several countries. For youth entrepreneurship policies to be effective, they should be approached within the context of wider employment policies and programmes, and interventions across multiple sectors.

The school environment can have an important impact upon young women and men and is a significant influence on the life and career aspirations of young people. Thus, the use of enterprise-focused curricula and educational experiences that allow young men and women to explore and consider self-employment has been recognised in many Commonwealth member countries. This has led to the implementation of the Know About Business (KAB)⁴ training programme. The KAB package is designed for use in vocational education and training institutions to give young people awareness and exposure to the opportunities, challenges, procedures, characteristics, attitudes and skills needed to become entrepreneurial in whatever career they pursue. Lesotho, Pakistan, South Africa, Mauritius, Papua New Guinea, Trinidad and Tobago, Botswana, Tanzania, Sri Lanka, Kenya, Mozambique, Uganda and Zambia have all officially integrated KAB into their curricula.

The choices governments make in supporting youth enterprise initiatives will be influenced by national priorities as well as by the resources available to the state. Commonwealth member countries may consider focusing their efforts on a policy framework that identifies the specific needs and opportunities for youth enterprise development. Governments with more resources, on the other hand, can introduce a broader range of interventions that support youth development with a specific focus on youth employment and

Box 2

Key programme interventions

Antigua and Barbuda Youth job support initiatives specifically target recent school leavers, providing training as well as job-seeking services and strengthening job readiness skills of youth.

Australia The National Strategy for Young Australians, launched in 2010, equips young Australians with the skills and personal networks they need to gain, and be successful in, employment. A skill-first welfare policy was also introduced in April 2009 requiring 15 to 19-year-olds to engage in education as a condition for income support. Other initiatives are: (i) guaranteeing every young Australian a place in education or training to help equip them with the skills to take the jobs; and (ii) increasing opportunities for young people to enter traditional trade training and improve their chances of engaging with long-term employment through an Apprentice Kick-Start Package.⁵

Bangladesh In May 2007, backed by a resolute political will and a commitment to promote small and medium enterprises (SMEs) to help alleviate poverty and generate employment and thereby accelerate economic growth, the Government of Bangladesh set up the SME Foundation (SMEF) as a pivotal platform for SME development.

Belize Job creation and enterprise development are provided through access to business training, mentorship and small business credit through the Youth Enterprise Fund.

Botswana The Youth Development Fund (YDF) is a government initiative aimed at empowering youth to own their own business and create sustainable employment opportunities for young people through the development of sustainable projects.⁶

Dominica The Government of Dominica started a technical and vocational training programme designed to meet the specific employment needs of Dominican youth and to prepare the unemployed and underemployed for self-employment. The Dominica Youth Business Trust was established as a programme initiative of the Youth Development Division of the Ministry of Culture, Youth and Sports to provide financial support to youth to help them set up micro and small businesses. This is complemented by or linked with other initiatives in the country, such as The Business Gateway (TBG), set up as a private sector development programme funded by the European Union to assist in the development of existing and start-up businesses. TBG collaborated with the Youth Development Division in providing training in entrepreneurship development, as well as technical assistance to its 'Catch Them Young' programme.

Guyana The Youth Entrepreneurial Skills Training (YEST) programme operates as a residential and non-residential programme in several regions (districts) of Guyana.

Kenya The Youth Enterprise Development Fund (YEDF) was conceived in June 2006 by the government as a strategic move towards addressing youth unemployment. The loan targets all

forms of youth-owned enterprise, whether owned individually, as a company, in groups, in co-operatives or any other legal forms of business ownership. The fund is a concrete offer to youth-led organisations in Kenya to actively engage in youth entrepreneurship development and to identify innovative, small-scale solutions that can be replicated by others.⁷

Malaysia To improve the employability of youth, the Tenth Malaysia Plan 2011–15 emphasises that more balance will be sought in developing technical as well as soft skills. The National Youth Skills Institute, which offers skills courses that have high market demand, will be expanded to provide greater options for young people.

Namibia The Youth and Targeted Intervention Programme for Employment and Economic Growth (TIPEEG) has been initiated by the Government of Namibia to promote employment and economic growth. The rationale behind TIPEEG is that an increase in local economic activities would eventually create employment opportunities for the majority of youth and unskilled labourers and boost aggregate demand.⁸ In addition, the Namibia Youth Credit Scheme (NYCS), set up in 2005, is an integrated youth credit initiative that provides access to capital, thus enabling young people to participate in the socio-economic development of Namibia. The Scheme is co-funded by the Ministry of Youth, National Service, Sport and Culture and the Social Security Commission of Namibia. The programme is in line with Namibia's Vision 2030 and the Millennium Development Goals.⁹

South Africa The South African Government prepared a National Youth Economic Empowerment Strategy (NYEES) and Implementation Plan that shows commitment by the Department of Trade and Industry and its relevant stakeholders for promoting the economic empowerment of young people through youth-owned enterprises.

Sri Lanka In 2010, the Ministry of Youth and Skills Development prepared a road map for implementing the National Plan of Action for Youth Employment with detailed proposals for action that adhere to the '4Es' conceptual framework developed by the UN-sponsored Youth Employment Network (YEN) initiative: equal opportunity, employment creation, employability and entrepreneurship.

Swaziland The Government of Swaziland established the Youth Enterprise Fund in February 2008 under the Ministry of Sports, Culture and Youth Affairs. The Youth Enterprise Fund is a business support mechanism established for youth between the ages of 18 and 35 years and is aimed at contributing to the reduction of youth unemployment through the provision of business capital for qualifying individuals, associations and companies.

Vanuatu In 2007, the National Youth Policy was launched, of which employment was one of four priorities. This was followed in May 2009 by an agreement to draft a National Action Plan on Youth Employment, and then in October of that year, the re-establishment of the National Youth Council.



Commonwealth Secretariat

Deputy Secretary-General Mmasekgo Masire-Mwamba at the launch of the Commonwealth Youth Development Index (September 2013)

enterprise concerns.

It is important to ensure that these interventions do not distort the market for business development services and that the private sector is constantly involved in these efforts. Surveys show that across various regions of the world, and particularly in developing countries, firms highlight access to finance and use of a reliable supply of electricity as major constraints for doing business.

Problems related to infrastructure are most prevalent in South Asia and Sub-Saharan Africa, where supply of electricity has been found to hamper business operations for 29 per cent and 23 per cent of surveyed firms, respectively. Labour regulations, on the other hand, constitute a business constraint for less than five per cent of firms across all regions.



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Access to finance

To address the challenges that many young women and men face in securing the funds they require to properly start, operate or expand their own business, four general types of strategies and programmes have been used: the provision of grants, soft loans, access to conventional banking finance, and the creation and use of finance and support networks.

In Botswana, Kenya and Swaziland, the creation of the Youth Enterprise Fund is helping to balance the scales by assisting young people who have been rejected from other conventional forms of finance because of their lack of collateral to start their business. A number of programme interventions can be found where low interest loans are provided to young entrepreneurs – usually through some form of revolving loan fund. In Canada, for example, the Canadian Youth Business Foundation runs a loan programme designed to help young women and men, particularly those who are unemployed and underemployed, through the initial start-up phase of their own business. There are no collateral requirements other than genuine commitment, appropriate business training, a valid business plan and agreement to a compulsory mentor programme.

Most youth enterprise promotion programmes appear to require a long-term commitment of funds. The most successful programmes are those that have found ways of mixing their funding sources. In these cases, funds and other resources use a combination of government support (sometimes on a contractual basis containing performance quotas), donor funds (where available), private sector involvement, community support and participation by young people themselves.

In Commonwealth developing countries, donor agencies perform a significant role in financing youth enterprise promotion activities. Barclays Bank, City Foundation and the MasterCard Foundation have been supporting youth enterprise projects/programmes. The private sector is often encouraged to support youth enterprise promotion because it contains relevant financial, technical and managerial resources that can be of direct benefit to the programme or its beneficiaries. The benefits for a larger company to become involved in supporting a youth enterprise programme may include a more positive public profile or possibilities for new business (for example, where a bank lends its support to a programme, it may encourage all new business owners to establish a bank account with them). Supporting this initiative can also provide new training and development opportunities for staff that may be seconded or contracted to the programme.

Skills deficit and mismatch

Many young people face difficulties in finding a job because of the mismatch between educational/training outcomes (supply) and labour market requirements (demand). Educational and training systems face the challenges of equipping a growing young work force with the skills required by the jobs of the future, not to mention re-equipping the current workforce with the skills, including soft skills, needed to keep up with a changing world.¹⁰

Experience shows that youth employment programmes and policies aimed at refining labour market dynamics often result in interventions that are fragmented, or too narrow or isolated and which do not fully take into account the general economic, institutional and social framework. Inconsistencies may arise in



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terms of the content of the interventions, their level, geographical location and target beneficiaries. Moreover, supply-side measures tend to outweigh demand-side measures. Anecdotal examples of improvable interventions include traditional skills training programmes not backed by an appropriate demand for skills in the labour market, or entrepreneurship training without any possibility of gaining appropriate access to credit. It is, therefore, necessary, in the domain of youth employment, to dispose of an over-arching, integrated strategy for growth and job creation. This strategy covers labour demand (job opportunities) and supply (employability), as well as the mediation or matching process, combined with well-targeted and structured interventions.¹¹

Youth unemployment has been shown to be tightly linked to social exclusion, as the inability to find employment creates a lack of direction and self-esteem among young people. The most obvious advantages therefore in making the most of the productive potential of youth and ensuring the availability of decent employment opportunities are the social and personal gains for young people themselves.

Another clear advantage to recapturing the productive potential of underemployed and underutilised youth is an economic one. Out-of-work youth are not contributing to the economic growth of their country. The loss of income among the younger generation translates into a lack of savings as well as a loss of aggregate demand. Many youth who are unable to earn a wage have to be financially supported by the family. Governments fail to receive contributions to social security systems and are forced to increase spending on remedial services. A lack of decent work, if experienced at an early age, also threatens a person's future employment prospects and frequently leads to undesirable labour market outcomes over longer periods.

Much policy pressure is put on the providers of training to flexibly and continuously adapt to the labour market. But institutional and curricular adjustments to short-run fluctuations are fairly costly operations, particularly in a developing country context where in the youth labour market, information is often missing or inaccessible. Coping with cyclical fluctuations would require a better balance between on-the-job and institutional training. In the longer term, institutional adjustments would indeed be needed to enable the supply side to match demand.¹²

Conclusion

Globally, youth aged between 15 and 24 years are three times more likely than adults to be out of work. And for those who do have a job, many are typically underemployed, in part-time or temporary work, or in the informal sector where working conditions are often poor. This global youth unemployment crisis imposes a heavy cost, both in terms of depletion of human and social capital and loss of opportunities for economic growth for present and future generations.

The work on youth employment could be summarised as follows: meeting the employment aspirations of young people requires a high rate of overall job creation; economic policies must therefore include employment creation as a major goal. Within this framework, educational and vocational training policies are especially important and must impart employable skills to youth entering the labour market, while labour market institutions such

as employment services should assist youth in finding appropriate employment. All these programmes must ensure gender equality, target the most disadvantaged young people and eliminate all forms of discrimination. Furthermore, they should be carefully designed, monitored and evaluated to ensure high economic and social benefits. It is also essential to involve workers' and employers' organisations in all youth employment programmes.¹³

Reversing the trends summarised above calls for a different policy scenario in which employment and youth employment in particular are among the principal goals of macro-economic frameworks and a priority for fiscal policy. New patterns of growth are needed, including industrial and sectoral strategies that encourage economic diversification and the creation of good quality job opportunities, as well as a financial sector that serves its true purpose of investing in the real economy. What is needed is a policy framework in which the extension of social protection reduces vulnerabilities and inequalities resulting in improved productivity.

Acknowledgement

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