

# *Youth entrepreneurship Recommendations for action*



*How businesses,  
governments and civil  
society organisations  
can help young  
people get started  
in business*

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# Introduction

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*Business, governments, and other sectors of society are increasingly recognising that supporting young entrepreneurs can be a highly effective way to reduce youth unemployment and stimulate growth in local communities.*

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The question is, what is the most effective way to do this? For nearly 10 years Youth Business International has been helping to grow a network of independent in-country initiatives around the world that help young people to start their own business and create employment.

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This report draws on best practice from the members of our network and other organisations in order to make cross-sectoral recommendations for creating a culture of youth enterprise. It is not intended to provide complete answers but to give a snapshot of what is working in different parts of the world to give young people a chance to become a successful entrepreneur.

Through sharing our insights, we aim to encourage governments and other organisations to give their support to young people who have a great business idea but lack the means, and the support, to set up their own enterprise.

This report is the first in our 'Making Entrepreneurship Work' series – providing recommendations for action and examples of best practice in order to promote youth entrepreneurship.

## **Five key messages**

- It is an economic and social imperative to address the youth unemployment challenge – especially at a time of economic slowdown
- Boosting youth enterprise delivers substantial benefits both for the entrepreneur and for the wider economy and society
- Entrepreneurship is not for everybody, but for many it can provide a long-term route out of poverty
- Making entrepreneurship work is not the responsibility of one sector alone; it requires dedicated actions from all sectors of the community
- Young people need to be encouraged and supported to take advantage of the opportunities of entrepreneurship

This report was launched for Global Entrepreneurship Week 2009, of which YBI is a global partner, to show what can be done to promote a youth enterprise culture around the world.

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# ***The case for Making Entrepreneurship Work***

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## ***The entrepreneurship challenge***

Employment is established as “the major route out of poverty”<sup>1</sup> – and increasingly entrepreneurship is being recognised for the economic and social opportunities it can create.

The World Bank estimates that by 2015 – target year for the Millennium Development Goals (MDGs) – there will be three billion people in the world under the age of 25. However, although this generation will be the most educated ever, International Labour Organisation statistics forecast a sustained rise in unemployed youth. They estimate that young people already make up as much as 40% of the world’s total unemployed, and are almost three times as likely to be unemployed as adults – a situation exacerbated by the recent world economic crisis.

The youth unemployment rate is projected to increase from 12% in 2008 to between 13 and 15% in 2009. The projected increase in the unemployment rate for adults is between 0.5 to 1%<sup>2</sup>. As the ILO concludes: “young people still suffer disproportionately from a deficit of decent work opportunities<sup>3</sup>”.

The ILO has said that 2009 will represent the worst global performance on record in terms of employment creation<sup>4</sup>. Young people are particularly vulnerable to the effects of an economic downturn: “during and after a crisis, it is the youth who are hit hardest in terms of losing jobs and joining the unemployment queues. The increased gap between youth and adult unemployment rates remains, even after the economy has begun to recover.<sup>5</sup>”

As much as 89% of the world’s total youth population is born in developing countries<sup>6</sup>. A global economic crisis makes living conditions – and job prospects – worse in developing countries through a range of impacts: private capital flows and investments slow; export earnings fall through reduced commodity prices; and remittances decline.

## ***The entrepreneurship opportunity***

Despite these challenges and vulnerabilities, the transition from childhood to adulthood is a period of great potential for young people to begin making a contribution to family, society and community.

Participation in the job market helps to break the cycle of poverty and unlock the potential of young people, providing a route towards social integration and economic independence. It is vital, both for their own fulfilment as well as in the broader economic interest, that their talents and energies are harnessed in productive work opportunities.

Given estimates that half of the global workforce – seven times more than the number of unemployed – are likely to be in vulnerable employment this year, actions must target the substantial decent work deficits<sup>7</sup>.

Entrepreneurship is not suitable for everyone, but it is vital that opportunities are open to young people – and properly understood by them – on completion of education and training.

Entrepreneurship can provide a successful route to long-term participation in the job market, especially if the entrepreneur receives robust support and advice in the business start-up phase. Furthermore, entrepreneurship can be an engine of economic growth.

In the UK, small and medium-sized enterprises (SMEs) account for 99.9% of all enterprises, and are responsible for 59% of private sector employment and 52% of private sector turnover<sup>8</sup>. In the US more than 87% of all businesses have five or fewer employees<sup>9</sup>. These microenterprises create new jobs on average at a rate of 900,000 per year. Between 2000 and 2006 they created 36% of all new jobs in the US<sup>10</sup>.

In view of this job creation potential, it is particularly important to foster the conditions for an enterprise culture at a time of economic crisis when the job market is stalling.

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# ***The case for Making Entrepreneurship Work***

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## ***The entrepreneurship impact***

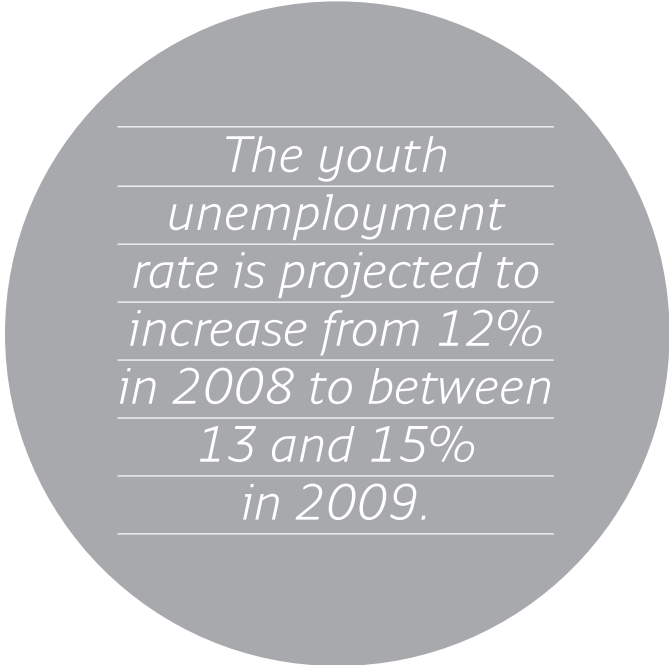
Enterprise has a multiplier effect – both economic and social. As the ILO concludes, “decent work for young people unleashes multiplier effects throughout the economy and society, boosting investment and consumer demand and ensuring more stable and cohesive social ties across generations”<sup>11</sup>.

Halving the world’s youth unemployment rate could add an estimated US\$2.2 to 3.5 trillion to the world economy. This represents 4.4% to 7.0% of the 2003 value of global gross domestic product (GDP). The largest relative gains from supporting youth into decent and productive work would be in Sub-Saharan Africa, with an estimated rise of 12% to 19% in GDP<sup>12</sup>.

Running a business helps young people achieve economic independence, reducing their reliance on state welfare. Young entrepreneurs are more likely to engage in their local community, spreading their experience and energy, and creating additional jobs.

Employment also boosts a young person’s self-esteem, making them more productive members of a family and community. Research has demonstrated a link between youth unemployment and social exclusion:<sup>13</sup> a productive young population is less likely to cause social unrest or even conflict.

Given this generation is the most educated ever, there is huge potential locked in today’s unemployed youth. However, as François Bourguignon, the World Bank’s former Chief Economist and Senior Vice President for Development Economics warns: “The opportunities are great, as many countries will have a larger, more skilled labour force and fewer dependents. But these young people must be well-prepared in order to create and find good jobs.”<sup>14</sup>



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# Recommendations

This section sets out actions that businesses, governments and civil society organisations can take to create an enterprise culture in their community. The recommendations are based on the practical experience of the member organisations within

the YBI Network as well as of other youth enterprise organisations around the world. There are five recommendations each for businesses, national and local governments, and for civil society organisations.

## Businesses

### **Recommendation**

*1. Companies should encourage their employees to provide advice and support to young people starting out in business – especially in mentoring capacities.*

### **Why? & How?**

Creating links between new entrepreneurs and established companies can bring multiple benefits. The value of support through advice, networks and other relationships cannot be overestimated for a new entrepreneur. In addition, business start-ups provide a boost to their local economy, increasing overall market size and potentially contributing to supply and distribution chains of existing companies.

### **Case study:**

Youth Business China's mentoring programme is supported by major Chinese and international companies. Mentors provide advice and support to the young entrepreneurs, as well as access to other business networks. They themselves benefit through Youth Business China's Mentor Clubs that offer forums for the mentors to exchange ideas and explore new trading opportunities. [www.ybc.org.cn](http://www.ybc.org.cn)

### **Recommendation**

*2. Companies should provide work experience schemes, together with internships, apprenticeships and training programmes, in order to strengthen the local enterprise culture.*

### **Why? & How?**

For those leaving the formal education system, one of the main challenges is understanding, and being equipped for, the world of work. Direct and early insights will raise jobseekers' confidence and new entrants' efficiency, and the private sector can play a valuable role in this respect.

### **Case study:**

Business in the Community's Work Inspiration is a business led campaign to strengthen the relevance and impact of work experience – for the benefit of both the young people and the companies involved. The programme boosts young people's motivation, confidence, experience and capability to be enterprising. [www.workinspiration.com](http://www.workinspiration.com)

### **Recommendation**

*3. Companies should support the development of effective educational initiatives that include teaching the benefits and opportunities of self-employment.*

#### **Why? & How?**

During the challenging school-to-work transition phase that young people face, business can make a significant contribution: in shaping education policies that ensure those leaving full-time education have the skills and qualifications needed for future employment or enterprise.

#### **Case study:**

The International Youth Foundation's entra 21 programme offers disadvantaged young people in Latin America and the Caribbean employment training and job placement services. Importantly, employers are actively involved in the design of the programme, and training content is drawn from the needs of the labour market. The skills that the young people gain have been shown to increase their employability and their enterprise credentials. [www.iyfn.org](http://www.iyfn.org)

### **Recommendation**

*4. Companies should create partnerships with youth enterprise organisations to strengthen their operational capacity and efficiency.*

#### **Why? & How?**

Companies that partner with youth enterprise charities can make a significant impact on the local communities they serve and in which their employees live. Through sharing their experience and expertise companies can make a tangible difference to the services that the charities provide.

#### **Case study:**

As part of a larger collaboration effort, in 2009 Accenture provided The Prince's Trust with a pro bono project team who worked to integrate the Trust's strategic reporting platform with their financial systems. In the process, the Accenture employees also concentrated on imparting invaluable skills and knowledge to The Prince's Trust's internal IT team, enabling it to move the reporting programme forward with minimised dependence on external expertise. [www.princes-trust.org.uk](http://www.princes-trust.org.uk)

### **Recommendation**

*5. Banks and microfinance institutions should partner with community organisations to improve young people's access to financing.*

#### **Why? & How?**

Banks and even some microfinance institutions (MFIs) are unable – or unwilling – to reach vulnerable sectors of society excluded from finance, such as disadvantaged youth. Organisations established to help these groups do not necessarily have the (financial) capacity to administer lending and borrowing functions. By working with local organisations that better understand the risk profile of young people, financial institutions become able to extend services to new sections of society.

#### **Case study:**

YBI's partner in India, Bharatiya Yuva Shakti Trust (BYST), established a partnership with National Bank of Baroda to enable the bank to manage BYST's loan portfolio. BYST maintains responsibility for all other aspects of its operations, such as selecting and mentoring entrepreneurs. The partnership takes away the portfolio risk from BYST and increases the overall level of financing available for new business loans for young people. [www.bystonline.org](http://www.bystonline.org)



# Government

## **Recommendation**

*1. National and local governments should work together to make business registration as efficient as possible, by learning from private sector innovations.*

### **Why? & How?**

In many countries, the time and cost involved in registering a new business creates significant deterrents, in particular to young people who lack the means or the confidence to persist against administrative obstacles. In many countries there is little coordinated support for emerging entrepreneurs in the micro and informal business sectors.

### **Case study:**

Established as a public private partnership in the city of Johannesburg and backed by public funding, Business Place is an expanding network of walk-in information centres for predominantly young entrepreneurs across South Africa. The branches are located at accessible venues, and their services are designed to stimulate local business and assist communities in reducing on their government. [www.thebusinessplace.co.za](http://www.thebusinessplace.co.za)

## **Recommendation**

*2. Governments and education authorities should include self employment as a viable alternative within an overall careers advice structure.*

### **Why? & How?**

Traditionally, advice to young people about the world of work is biased towards the benefits of working in a large company or within government. Often the benefits of supporting young people into new enterprise are not captured, nor the effectiveness of initiatives deployed. As the United Nation's World Youth Action Plan states: "the challenge is to scale up the successful aspects of [youth] initiatives."

### **Case study:**

The Consortium for Entrepreneurship Education was established in the US to bring entrepreneurship experiences to young people through schools and community programmes. Comprising State Boards of Education, student organisations and others, the Consortium aims to: promote entrepreneurship education opportunities; set national curriculum standards; and share resources to train young entrepreneurs to advance their local economies. [www.entre-ed.org](http://www.entre-ed.org)

## **Recommendation**

*3. Governments should utilise existing structures, such as chambers of commerce and other business networks, to support the development of youth entrepreneurship.*

### **Why? & How?**

Business networks can be valuable to businesses throughout their life cycle, but perhaps especially during the start up phase. Given the economic, social and political benefits of a productive young population, it is in a government's interests to promote and support entrepreneurship using structures already in place.

### **Case study:**

For a decade, Hambantota Youth Business Trust (HYBT) had been successfully supporting young entrepreneurs at the district level. Recognising the strategic importance of strengthening youth entrepreneurship in Sri Lanka, the Ceylon Chamber of Commerce – in collaboration with its regional branch in Hambantota – scaled up HYBT operations and launched Youth Business Sri Lanka across the whole of the country. [www.ybsl.lk](http://www.ybsl.lk)

### **Recommendation**

*4. Governments should encourage schools and colleges to run business plan competitions that promote start-up opportunities.*

### **Why? & How?**

Business plan competitions have been shown to provide an effective and engaging means to introduce a variety of business-related subjects to new audiences. Competitions can generate even more tangible benefits if winners are given an opportunity to turn their business proposition into reality.

### **Case study:**

With the support of all levels of government, Students in Free Enterprise (SIFE) runs national and global business competitions for university students to develop socially responsible enterprises in their communities that meet local need. It provides hands-on insights into setting up and running a company. Many of the students involved in SIFE competitions go on to develop their own social enterprises. [www.sife.org](http://www.sife.org)

### **Recommendation**

*5. Governments should prioritise investment in youth entrepreneurship initiatives to tackle youth unemployment and as a means to reduce welfare costs.*

### **Why? & How?**

Targeting investment at youth entrepreneurship schemes can bring long-term benefits to governments, both in reducing unemployment and other welfare payments, and in increasing tax revenue.

### **Case study:**

In March 2009 the Canadian Government invested C\$10 million with the Canadian Youth Business Foundation (CYBF) to support young entrepreneurs, as part of its work to stimulate the national economy. CYBF has calculated that the businesses supported by the grant will generate C\$135 million in sales revenue and C\$32 million in tax revenue for the nation's economy, through the creation of 900 new businesses and an estimated 5,000 new jobs. [www.cybf.ca](http://www.cybf.ca)



# Civil society organisations

## **Recommendation**

*1. Youth enterprise organisations should engage in community outreach and mobilisation to foster a culture and spirit of entrepreneurship.*

## **Why? & How?**

Awareness of the opportunities of entrepreneurship is low across many countries. Those organisations that specialise in supporting young entrepreneurs have a valuable role to play in communicating the potential benefits of starting a business to wider audiences.

## **Case study:**

The Barbados Youth Business Trust (BYBT) has invested in raising the profile of entrepreneurship in Barbados. Through schools, community centres, churches and other institutions, as well as broadcast media, since its inception in 1996 BYBT has come into contact with more than 10,000 young unemployed people, introducing them to self employment as a career option. [www.youthbusiness.bb](http://www.youthbusiness.bb)

## **Recommendation**

*2. Non-governmental organisations working in apparently different areas should identify and develop synergies in order to deliver more effective levels of support to young entrepreneurs.*

## **Why? & How?**

The combined expertise and outreach of different organisations can have a transformative effect on a local community. Even when the overlap of two organisations does not seem obvious, there can be very useful collaboration – especially in tackling the complex underlying causes of youth unemployment and disenfranchisement.

## **Case study:**

International Alert and Youth Business Sri Lanka (YBSL) work together to assist young people to set up in business in areas vulnerable to violence. Economic and social progress is not possible without peace, and vice versa. Improving the life chances of young people can make a significant impact on reducing conflict and, most importantly, the causes of conflict. [www.ybsl.lk](http://www.ybsl.lk) / [www.international-alert.org/srilanka](http://www.international-alert.org/srilanka)

## **Recommendation**

*3. Community organisations should provide volunteer opportunities for young people to work in the community.*

## **Why? & How?**

Grassroots organisations can benefit from tapping into the resource of unemployed youth. Equally, local voluntary experience can equip young people with useful skills to continue along the path towards employment and entrepreneurship, as well as a sense of commitment to their community.

## **Case study:**

The Youth Volunteer Network (VNET), established by The Hong Kong Federation of Youth Groups (HKFYG), encourages young people to participate in voluntary services and to serve their community. The volunteers involved are exposed to a range of different organisations, raising their awareness of – and preparedness for – the different work opportunities available to them later in life. [www.hkfyg.org.hk](http://www.hkfyg.org.hk)

### **Recommendation**

*4. NGOs should tailor vocational and life skills training according to local community needs – in particular to cater for rural areas.*

### **Why? & How?**

Many countries face a challenge of developing poor rural communities, to prevent mass migration to urban centres. It is therefore essential that skills training is aimed at those activities most appropriate and relevant for current and future enterprise in rural communities.

### **Case study:**

Fundación Paraguaya and the San Francisco Agricultural High School provide a holistic education in agriculture and entrepreneurship to the children of very low-income farmers in Paraguay. The 'farm school' integrates traditional high school subjects with training in small-scale agricultural enterprises. On graduation, students have the skills to start their own rural enterprises (with a business plan and micro-loan in hand), to secure jobs in the modern agricultural sector or to attend university. [www.fundacionparaguaya.org.py](http://www.fundacionparaguaya.org.py)

### **Recommendation**

*5. Environmental NGOs should target support to young people to help them capitalise on the opportunities of the low carbon economy.*

### **Why? & How?**

There is an increasing demand for effective environmental projects in communities to address challenges such as renewable energy, access to clean water and waste management. Many of these are particularly suitable for start-up businesses. Moreover, young people often have a greater awareness of environmental issues and climate change.

### **Case study:**

GVEP International (Global Village Energy Partnership) operates a network programme to build the capacity of over 1,800 small and micro energy enterprises in rural areas of Kenya, Uganda and Tanzania. Experts in energy technology, business development and financing provide training, mentoring and access to finance to help turn low carbon initiatives into reality. This support is providing thousands of households with access to renewable energy. [www.gvepinternational.org](http://www.gvepinternational.org)

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# Conclusion

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*Youth unemployment presents a significant challenge, and future forecasts demonstrate the need for an immediate, robust and coordinated response.*

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Enterprise can provide a long-term route out of poverty for many unemployed young people, and as the recommendations set out in this report show, each sector can play its part in making entrepreneurship work.

The real benefits are derived when sectors work together to create a culture of entrepreneurship, with opportunities open to young people:

- For young people, it helps them achieve economic independence and make a valuable social contribution, and it raises their self-esteem.
- For companies, it encourages the development of a dynamic small business sector, boosts demand in the local economy, and strengthens community involvement.
- For society, it reduces the costs associated with youth unemployment, helps spread prosperity, and reduces youth disenfranchisement and social conflict.
- For governments, it can reduce welfare costs and increase revenue, and it provides opportunities to benefit from the talent, enthusiasm and energy of the young people they serve.

## **About Youth Business International and its global network**

Youth Business International is a not-for-profit organisation that leads a global network of independent country initiatives helping young people to start their own business and create employment.

All of the members of the network operate according to three common principles:

- i.) They support young people, typically aged between 18-30, who have a good business idea but who cannot obtain help elsewhere;
- ii.) They provide access to start-up funds in the form of a loan without the need for guarantees or collateral; and
- iii.) They provide young entrepreneurs with a volunteer business mentor and access to business development services.

This approach significantly increases business survival and growth – key factors in sustainable job creation.

The goal of Youth Business International is to enable our network to support 100,000 new young entrepreneurs annually by 2020. In doing so we will have created more than one million jobs, making a significant contribution to the global employment challenge.

YBI was founded in the UK in 2000 and is one of The Prince's Charities, a group of not-for-profit organisations of which HRH The Prince of Wales is President.

YBI's global network is currently supporting young entrepreneurs in 40 countries across six continents. In 2008, the YBI Network helped nearly 7,000 new entrepreneurs get started in business.

More at [www.youthbusiness.org](http://www.youthbusiness.org)

## The Prince's Youth Business International

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### Design

[www.re-everything.com](http://www.re-everything.com)

### Images

Cover images show (from left to right):  
Juan Ramón Nuñez from Argentina,  
Sarala Bastian from India and Fadi  
Elobra from Israel – all successful young  
entrepreneurs who were supported by  
organisations within Youth Business  
International's global network. All three  
entrepreneurs were recognised in YBI's  
2009 Entrepreneur of the Year competition.

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