

## **Promotion of small enterprise, a response to the employment problem**

Africa is a continent of entrepreneurs; many Africans are engaged in several small-scale businesses at any one time. This talent is still largely untapped, or at least frustrated by an environment which is not friendly to small businesses, in many ways. The ILO has played a leading role in addressing this situation, since small enterprises have great potential to employ even more Africans than they currently do; currently, around 20% of the total population of working age in many African countries works in the small enterprise sector.

Almost 30 years ago, the ILO mission to Kenya noted that many Kenyans were working outside the formal economy, and had therefore been largely ignored (as elsewhere) by policy makers. That observation brought the informal sector into the mainstream of development thinking, and since that time, the situation has changed in many important respects. For example, government employment has been slashed as a result of structural adjustment, and this has required many more people to look for work in the small-scale sector.

Similarly, liberalisation has created many opportunities and challenges for small enterprises; the ILO has played an important role in highlighting those areas of government policy which effectively discriminate against small enterprise, sometimes raising barriers so high that the enterprises cannot afford to join the formal sector. In Egypt, for example, it is calculated that it takes an estimated 565 days, working for 8 hours each day, to register a new bakery completely—according to work recently reported at the ILO by Hernando de Soto.

This policy work continues to be very important, both at national and local government levels; for example, pro-poor banking policies are vital to the development of a micro-finance industry. In many countries, women and men encounter different barriers in establishing and expanding businesses, and ILO work must support governments to create a gender-balanced legal and regulatory system for small enterprises as well as assure equal access to credit, training and other resources. The highly dynamic nature of African small enterprises can be further fostered when unnecessary regulatory hurdles are removed; this dynamism and corresponding economic growth are urgently needed in many countries.

While governments have a vital role to play in ensuring a positive policy environment for small enterprises, it has become increasingly clear that governments have less of a role in providing support services directly to small enterprises. Public sector structures are not compatible with the needs for low-cost, flexible training, information and counselling, except perhaps in the case of target groups in extreme need. So the ILO has been shifting emphasis towards delivery of these services by the private sector. Its work to build capacity in this area has been widely recognised, particularly for its orientation towards impact and sustainability.

The technical standard of this work compares very favourably with equivalent work to develop small enterprises in industrialised countries; a recent ILO study tour for African professionals to service providers in the UK found that attention is only now being focussed on cost recovery and impact monitoring in some state-funded agencies. Pioneering work by the ILO, for example to map out the traditional apprenticeship sector, and to stimulate private-sector delivery of training and other services, will be built on in the coming years.

In the future, there will also be a greater focus on the quality of employment in small enterprises. Initial activities in this area have indicated that working conditions are not good in many sectors, and there is increasing interest to harness the capacity of the private sector to meet job quality concerns on a larger scale. Early ILO work in Africa to encourage mutual insurance schemes in the workplace have sown the seeds for both employers and workers to consider how they might plan more effectively for their security needs in the future. The ILO is also paying increasing attention to the implications of the AIDS epidemic for small enterprises in Africa, to enable employers and workers to cope with significant skills shortages and family crises.

There may be many other ways in which an increasing role for the private sector can enhance job quality for millions of workers in small enterprises. For example, suppliers of protective safety equipment may have a strong interest to educate workers in small enterprises about safe working practices, and may be able to do so to greater numbers of workers than can most public-sector workers.

The ILO has been active for many years in assisting employers and workers in small enterprises in Africa to mobilise and to represent their interests at the local and national levels. This important work can assist in the policy reform process, and in ensuring that public procurement is accessible to small enterprises.

This can be an important element in expanding access of small enterprises to new markets, and in ensuring the more efficient delivery of publicly-funded services to the population at large. While both employers and workers constituents of the ILO in Africa have been active in this area in the past, the potential for a greater role in the future is clear, if appropriate technical support can be made available.

One of the major challenges remains to generate reliable statistics on employment in small enterprises in Africa. Workers may have several part-time or seasonal jobs, and are often quite mobile; it can also be difficult to be sure that increased employment is due to our intervention. Greater attention is therefore planned in this area, in collaboration with the many other agencies which face the same challenge: to demonstrate results in a simple format, but relating to a field which is very complex. This function of promoting and disseminating best practice and knowledge for small enterprise development is one where the ILO has been very active, and will be even more active in the future.

New technologies pose particular opportunities for small enterprises in Africa; Morocco is one of the fastest-growing markets in the world for mobile telephones. Similarly, the Internet promises low-cost access to many new markets; the ILO is keen to explore the potential and challenges which these technologies bring.

The small enterprise sector in Africa has always been accessible to even the poorest people, as a way for them to survive, and ultimately to work their way out of the poverty 'trap'. But the sector has only been so durable because of its great flexibility; while many jobs are created in small enterprises, many jobs are also destroyed. Thus, the great strength of the sector also brings insecurity, and the major challenge for the future will be to ensure that small enterprises generate more and better jobs for both women and men, while remaining flexible and responsive to changing market conditions.

This will require that the ILO is willing to assist the sector as it currently is, rather than as we all wish it to be in the future. Which solutions are sufficiently practical to achieve results on a large scale, and to ensure that the ILO is relevant to the needs of the many? Only in this way can the modest resources at the disposal of the organisation make a difference in the lives of the many millions of Africans who look to small enterprises for decent work opportunities.

Jim Tanburn  
Senor specialist in small enterprise development  
ILO/ IFP- SEED

## **ILO InFocus Programme**

### **Boosting Employment through Small Enterprise Development**

Access to decent work is an antidote to social exclusion right across our global economy. SEED seeks to unlock the potential for creating more and better jobs in the small enterprise sector. Since this is where most women and men in Africa earn their living now - in micro and small enterprises, in self-employment, as homeworkers-- this is where policies, regulations, business, training, market development and organization building can matter most.

This is exactly what the International Labour Conference confirmed in 1998 by adopting Recommendation No. 189 on “Job Creation in Small and Medium-sized Enterprises.” It offers a vision of a vibrant, job-creating poverty-fighting small enterprise sector. Now SEED is working with governments, social partners and communities to craft new policy tools, invigorate entrepreneurship and management training, and involve small business in new markets.

As one of the ILO’s new InFocus Programmes, SEED builds on the ILO’s thirty years of experience in supporting small enterprise development. SEED’s mission is to strengthen understanding of how development of this economic sector can better serve employment goals and put this knowledge to work through policy guidance, technical assistance and international advocacy. ILO concerns and values drive our work to improve job quality in small enterprises, increase economic opportunities for women, promote representative associations of employers and workers in the sector, and upgrade employment for workers in the informal economy.

*For further information, please contact IFP/SEED at +41 22 799 6862, by e-mail [IFP-SED@ilo.org](mailto:IFP-SED@ilo.org), or through our website <http://www.ilo.org/seed>.*