



FIRST ITEM ON THE AGENDA

Promoting decent employment through entrepreneurship**I. Introduction**

1. Entrepreneurship is the driving force for initiating business ideas, mobilizing human, financial and physical resources, for establishing and expanding enterprises, and creating jobs. The vast majority of jobs in all countries are generated by small and medium-sized enterprises in the private sector, including cooperatives; all these businesses contribute significantly to providing new employment for young people. Small enterprises, which range from small-scale modern firms in the formal economy to micro-enterprises and self-employment in the informal economy, also account for a high proportion of existing jobs. Nevertheless, the small-scale sector is characterized by high turbulence and low survival rates. In addition, the incomes of workers and employers in these enterprises, their productivity, job security, health and safety, opportunities for training and representation, all tend to compare negatively with those in larger enterprises. Therefore, the important challenge lies in promoting the twin aims of endowing women and men “with rights at work and security, while ensuring that commercial and product regulations do not inhibit new business growth and the growth of self-employment”.¹ Within the context of the Global Employment Agenda (GEA), this paper reviews the major elements of current efforts to promote decent work through the closely linked approaches of entrepreneurship and small enterprise development. The paper also highlights lessons learned, identifies some priorities for future work and asks for the Committee’s guidance in a number of areas.
2. The work on entrepreneurship is mandated by the General Conditions to Stimulate Job Creation in Small and Medium-Sized Enterprises Recommendation, 1998 (No. 189), the Promotion of Cooperatives Recommendation, 2002 (No. 193), and the Employment Policy Convention, 1964 (No. 122), as well as the accompanying Recommendation (No. 122). It is also guided by the fundamental labour Conventions, and by reports and conclusions from recent International Labour Conferences, notably the Conclusions on Decent Work and the Informal Economy (ILC, 2002), and the Director-General’s Reports, *Working out of poverty*, and *Time for equality at work* (ILC, 2003). Thus, while the GEA was formulated recently in the context of the Decent Work Agenda, its fifth core element

¹ GB.286/ESP/1, para. 29.

(promoting decent employment through entrepreneurship) has been an integral part of the ILO's work for many years.² Moreover, since the Decent Work Agenda was adopted, the programme on entrepreneurship has been reoriented and aligned to its core objectives.

Defining entrepreneurship in the context of decent work

3. Entrepreneurship is the attitude and capacity to innovate and take initiative. The term can be applied to a range of economic and social innovations designed to solve problems, meet needs, or supply products and services. However, this paper views entrepreneurship as the combination of initiative, innovation and calculated risk-taking associated with identifying market opportunities, mobilizing resources, and managing them efficiently in the operation of productive, viable, and socially responsible enterprises. This includes private, public and cooperative enterprises, operated by individuals (including the self-employed) or by groups, such as member- or community-based enterprises.
4. It is recognized that many people in developing countries operate their own micro-business, mostly in the informal economy. This may be described as “micro entrepreneurship” and includes the activities of “survivalist entrepreneurs”, often self-employed, many of whom are poor people who have limited choices and who earn little income or profit.³
5. Entrepreneurs make investments and employ workers who contribute to the success of the business. Thriving enterprises also contribute to job creation, providing employment, skills and valuable experience for a large number of young people entering the labour market for the first time. Through appropriate wage and tax policies they can also contribute to a more equitable distribution of wealth among the working population.
6. National economic development is the result of a complex web of interrelated factors. However, as shown by figure 1, the development process usually includes a greater formalization of economic activities, and an expanding role for small and medium-sized enterprises, which in most developed economies represent more than 50 per cent of employment and economic output. Group-based firms also create many jobs, with cooperative enterprises employing 100 million people worldwide, serving some 800 million members.⁴
7. In countries which have a vibrant and dynamic small-scale sector, enterprise success is greatly aided by a culture that values entrepreneurship. A crucial role is played by supportive government policies, developed and implemented through a dense web of institutions and networks, including employers' and workers' organizations, financial and business service providers, and business clusters.
8. A major challenge for the ILO is to ensure that jobs – particularly those in small enterprises – are protected and decent. A related challenge is to mainstreaming informal units into the formal economy, while ensuring that opportunities for those with no other

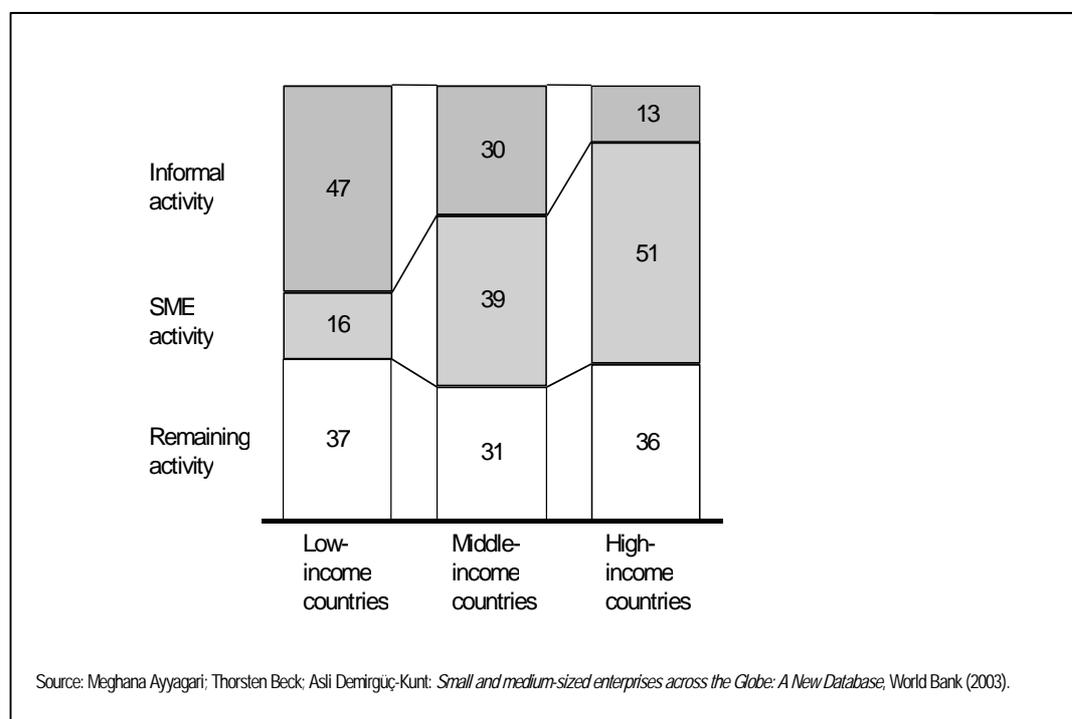
² G. Meredith; R. Nelson; P. Neck: *The practice of entrepreneurship*, ILO, Geneva, 1982.

³ For the purpose of this paper, smallholder farmers are not included although they are sometimes classed as entrepreneurs.

⁴ Figures provided by the International Cooperative Alliance.

means of livelihood are not restricted. Therefore, interventions need to be adapted to the special needs and circumstances of each country.

Figure 1. Small-scale enterprises become more important and informality less important as countries become wealthier (per cent of GDP)



9. The following section reviews the strategy, as well as the activities undertaken to promote decent employment through entrepreneurship.

II. Strategy

The GEA and the ILO strategy for entrepreneurship

GEA principles

10. The ILO is not alone in recognizing the economic and social contribution of entrepreneurship. One factor which sets the ILO apart, however, is its concern for the quality, as well as the quantity, of employment. It seeks to promote a positive entrepreneurship characterized by the type of innovation and risk-taking that leads to constructive socio-economic outcomes. Entrepreneurship requires creativity and initiative – qualities generally considered as worthy of respect in an individual or group and important to the development of society as a whole. Indeed, entrepreneurs often play significant roles in their communities, frequently taking on social obligations. However, the very freedom inherent in entrepreneurship also implies the risk of abuse. An entrepreneur may choose, for example, to resort to child labour or to disregard workers' rights in order to achieve short-term economic gains. The challenge is to promote the positive benefits of entrepreneurship, while at the same time preventing such abuses. The process of **social dialogue**, central to the GEA, is critical to ensure that policies, regulations and measures conducive to positive entrepreneurship reflect the views and

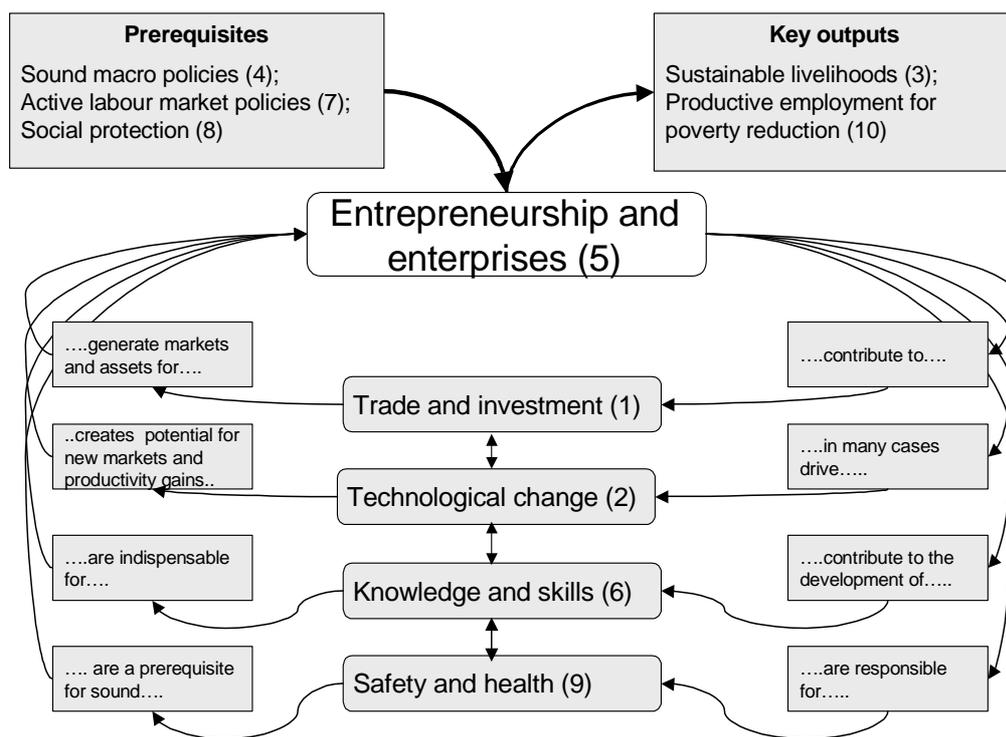
experiences of the persons affected, particularly employers and workers and their representatives.

11. Two further core principles of the GEA are central to the work on entrepreneurship. First, it seeks to demonstrate that decent work is a necessary element in improving competitiveness and productivity. **Decent work as a productive factor** means achieving sustainable competitive advantage through a well-trained and committed labour force, which enjoys rights at work, legal and social protection and representation. Second, it recognizes that **discrimination in the workplace** undermines positive entrepreneurship by preventing talented people from contributing to the world of work. Ending discrimination against women, young people, minorities, those with disabilities and people living with HIV/AIDS will unlock the entrepreneurial potential of many more people.

Links with other elements of the GEA

12. Entrepreneurship has strong links with other GEA core elements, as outlined in figure 2. The close relationships between these elements highlight the need for tools and policy prescriptions that are coherent and complementary.

Figure 2. Entrepreneurship and links to other GEA core elements



Key elements of operational strategy

13. The ILO aims to promote entrepreneurship and unleash its potential for economic growth and quality job creation. The strategy takes account of the diversity of enterprise types, sizes and structures – informal and formal; micro, small and medium; individual and group-based; cooperatives and community enterprises. The key operational levels are:

- *Promoting enabling policies and regulations:* This component encourages a **policy and regulatory environment** that supports the creation and growth of enterprises which generate quality jobs. It seeks to encourage policy and regulatory reform based on dialogue which includes employers' and workers' representatives.
- *Supporting an entrepreneurial culture:* This work encourages a culture which (i) helps potential entrepreneurs to make better informed decisions about starting a viable business venture, and (ii) raises awareness of the positive links between competitiveness and productivity on the one hand, and sound labour relations, good working conditions, skills training and respect for the law and workers' rights on the other.
- *Building capacity for the provision of support services:* This component aims to help institutions, including employers' and workers' organizations, to deliver a range of **services** enabling enterprises to tap the synergies between improved business efficiency and decent work.

III. The strategy in action

1. Enabling policies and regulatory frameworks

14. An enabling environment for enterprise development requires a national policy framework that recognizes the contribution of business to economic development, and responds to the particular features of different kinds of enterprise. Such a framework can establish a set of common definitions, a platform for the coordination of government and private sector efforts, and a mechanism for participation by all actors in policy-making and review.
15. Many countries need to review their policies and laws to ensure that they do not place undue burdens on businesses generally, but particularly on small enterprises and cooperatives. Policy reforms provide an opportunity for governments to impact positively on all enterprises, and they have greater reach than many direct support programmes that cater for only a small target group. If policy reforms are developed through dialogue with stakeholders, especially employers' and workers' representatives, they are more likely to mobilize support and to result in higher levels of compliance.
16. An enabling environment must complement the regulatory functions of government. Too often, development programmes are used to address problems that stem from poor policies, laws or regulations. Access to finance, for example, is often hampered by inadequate property rights. Likewise, the failure of small enterprises to provide good quality employment to their workers (including working family members) may be a result of regulations that stifle flexibility and competitiveness. Thus, small enterprise employment is affected by a variety of policy domains which go beyond labour or enterprise.
17. Enterprises require an enforceable contracting capability, clear property rights, adequate processes for entry and exit, and efficient and fair dispute settlement. Such an environment has implications for fiscal law, commercial law, land law and labour laws.
18. Governments can control the national policy and regulatory environment for enterprise development, but there are many factors influencing competitiveness that are beyond their direct control (e.g. debt burdens, foreign direct investment, trade liberalization and international tariffs and quotas). The promotion of entrepreneurship should therefore be consistent with the macroeconomic framework and international trade policies and agreements.

Simplifying compliance and protecting workers' rights

- 19.** The General Conditions to Stimulate Job Creation in Small and Medium-sized Enterprises Recommendation, 1998 (No. 189) advises member States on balancing the need to remove policy and regulatory barriers with the need to ensure respect for the rule of the law and workers' rights. This balance is at the core of work to promote positive entrepreneurship.
- 20.** Research has shown that policy reforms are often needed to create a business environment that is more conducive to business expansion and improvements in the quality of employment (see box for details).⁵ Evidence was found that a sound policy and regulatory framework encourages compliance among small enterprises.

Research, tools and capacity building to inform policy reform

Research was conducted recently in seven countries* to examine how the policy and regulatory environment affects employment and investment growth in micro and small-scale enterprises (MSEs). The study examined national business laws, taxation, labour regulations, and trade and finance policies, and assessed their direct and indirect impact on the MSE sector. The findings provided the basis for national action plans in each country, designed to address current policy deficiencies, in consultation with relevant national stakeholders. The assessment tools and survey instruments have been adapted for use in e.g. Egypt, India, the Islamic Republic of Iran, Paraguay and the Philippines.

* Chile, Guinea, Pakistan, Peru, South Africa, United Republic of Tanzania and Viet Nam.

- 21.** The same research shows that small enterprises which comply with registration requirements create more employment over time than those that do not comply. Legal provisions can be carefully drafted to reduce the costs of compliance for small enterprises. Problems arise from overlapping responsibilities among government departments and from the build-up of an outdated "web" of policies over time; some serve no obvious purpose and may even contradict others. Compliance offers practical benefits to small enterprise owners and workers by increasing their access to the support and services available within the formal economy (see box below). Thus, an enabling national policy framework uses compliance with well-crafted laws and regulations as a tool for developing the small enterprise sector.

Lowering barriers and increasing the benefits of formalization

Enterprise registration more than tripled from 1,100 to 4,000 between 1998 and 2000 after a municipality within the city of Lima, Peru, simplified procedures. About 45 bureaucratic steps were cut to 12, reducing processing time from 70 days to just one. In addition, the municipality established a business advisory office that assists an average of 2,500 clients a month.* More recently in Peru, several local governments have established labour rights offices to advise operators in the informal economy about labour rights and assistance programmes. In neighbouring Bolivia, a law on simplification introduced a business registration card that gave applicants access to affordable management training courses.

* *Mejores Prácticas Municipales en Desarrollo Económico Local*, PROMDE/ILO, Lima, 2002.

- 22.** Some countries exempt micro-enterprises from the requirements of labour law and safety regulations, but this can create a growth trap for businesses close to the threshold for compliance, which may choose to remain small in order to avoid additional regulations and related costs. A more proactive approach is to make compliance as easy as possible. For

⁵ G. Reinecke; S. White: *Policies for small enterprises: Creating the right environment for good jobs*, ILO, Geneva, 2004.

example, labour inspections can put more emphasis on raising awareness and providing information, than on imposing fines for failure to comply.

Bridging the representational gap

23. In order for policies to be effective and pertinent, all those directly affected by them should be closely involved in their design and formulation. A difficulty in many countries, however, is that only a minority of small enterprise owners and their workers are organized in representative associations that can participate in policy formulation and speak on their behalf. In addition, established employers' and workers' organizations are not always invited to policy reform consultations. Informal economy actors, in particular, suffer from a wide representational gap. In fact, the right to freedom of association is often denied – in law or in practice – to those in the informal economy. The absence or weakness of representation is deemed to be one of the main reasons for the marginalization and exploitation of informal workers and operators.
24. The ILO constituents are being assisted in reaching out to informal economy actors (see box below), in order to strengthen their capacity to participate in policy development.

Organizing in the informal economy in South Africa

Over the past three years, action research has been supported and tools developed on organizing in the informal economy. Building on results, in November 2003, the first national capacity-building workshop on organizing in the taxi industry was sponsored, held by the South African Transport and Allied Workers' Union (SATAWU). The workshop provided an opportunity to consolidate SATAWU's recruitment strategy for taxi workers and to refine ways for the union to contribute to the national policy of recapitalizing and formalizing the taxi industry. On the regulation of street vending, policy dialogue is also supported among a wide cross-section of stakeholders, in particular municipalities, street vendors' associations and the labour movement.

25. Employers' organizations in many countries actively promote the interests of small-scale entrepreneurs. For example, the Employers' Confederation of the Philippines adopted a decree calling for more SME policy support in 2003, based on the findings of an ILO-supported survey of 1,000 small-scale entrepreneurs.
26. Cooperatives are particularly attractive for self-employed persons in the informal and rural economies because they provide their members with economic services (e.g. saving and credit facilities), and serve to give them voice and representation. Cooperatives have been particularly successful in empowering informal economy workers, notably women, and have often paved the way for their unionization. The SYNDICOOP programme in Rwanda, Uganda and the United Republic of Tanzania was developed to organize informal economy workers into cooperatives through the joint action of national trade union organizations and cooperative movements. A similar programme will shortly be launched in South Africa.
27. Training materials have been developed to strengthen associations that create solidarity among members, give them voice, and bring them closer to established employers' and workers' organizations. In eight West African countries,⁶ for example, the ability of associations of small-scale entrepreneurs to obtain and understand policy information is being strengthened, so that they can advocate for appropriate policy changes.

⁶ Benin, Burkina Faso, Gambia, Guinea, Mali, Mauritania, Niger and Senegal.

28. In India, to enhance working conditions and improve competitiveness in the Moradabad brassware cluster, dialogue was initiated between small-scale enterprises, the state and local authorities, on issues such as infrastructure, local by-laws and taxes, as well as on promotional measures for improving job quality. Associations and self-help groups are being strengthened to advocate more effectively. The work has prompted the authors of national planning documents to highlight the connection between improved job quality and higher productivity, and to advocate policies that reduce decent work deficits in the informal economy.⁷
29. Recent work in Uganda and Ghana has used commercial radio programmes to give voice to people operating or working in small enterprises. It is estimated that in the two countries a total of more than 500,000 people regularly listen to these programmes. The latter have contributed to a greater understanding of the issues and concerns of small enterprises and their workers, both among policy-makers and the broader community.
30. Despite valuable experience gained from these programmes, it is clear that bridging the representational gap for micro and small enterprises and their workers remains a major challenge.

Financial policies

31. Access to finance is often the most crucial factor for starting an enterprise, operating it and maintaining jobs. A number of failures in the market for financial services make it hard for the self-employed, micro and small enterprises to access capital. Most small businesses are unable to obtain credit from banks because they do not have collateral. Due to high transaction costs, financial institutions are often not interested in small clients.
32. The availability of finance and financial support services is critical for enterprise creation and growth, and microfinance institutions have made a significant contribution to assisting those in the informal economy and micro-enterprises. The market for MSE finance is, however, characterized by high transaction costs and substantial default risks; these underlying causes for frequent market failures can be addressed by innovations in financial services, and by changes in the institutional infrastructure and policy.⁸ Policy-makers often compensate for the under-supply of small-scale financial services, by promoting locally based private-public banks, relaxing collateral requirements, loan guarantee funds or subsidies.
33. Research has examined the impact of financial sector reform and liberalization on small entrepreneurs' access to capital and it was found that such policies, while necessary to entice banks to go "down-market", are far from sufficient to ensure a broad-based responsive financial sector. In many cases – particularly in Africa – mere liberalization leads to a contraction of the branch network, leaving entire regions in rural and peri-urban areas unserved by banks. Liberalization needs to be accompanied by strict supervision and monitoring, by actively encouraging alternatives such as microfinance institutions, and by measures to encourage the small business community to create its own financing mechanisms.

⁷ Government of India, Planning Commission: Report of the *special group on targeting ten million employment opportunities per year*, New Delhi, 2002.

⁸ GB.285/ESP/3.

Implementing change

34. Once new policies and regulations have been formulated, a clear strategy for implementation has to be drawn up to ensure consistent application at national and local levels. This requires efficient coordination between government agencies and a better integration of small enterprise development and regulatory institutions into the broader development initiatives of government. Adequate resources and trained staff are necessary if implementation is to be effective. Good governance and the consistent application of policies and laws are critical to ensure better compliance. Corrupt tax collection and weak law enforcement are often real problems.
35. Information about changes to laws and regulations should be communicated to those affected by them. ILO's Cooperative Reform Programme, for example, has been working for ten years to help member States to "popularize" new cooperative policies and laws. This usually requires a translation of the new text into vernacular languages, the design of simple guides, and the organization of information campaigns in collaboration with the national media.⁹ In Cameroon, where this technique was used for the first time, over 4,000 new cooperatives were registered within one year of popularizing the new cooperative law. Under the old legislation, in force for 30 years, fewer than 400 new cooperatives had been registered.

Promoting cooperative law and policy as well as Recommendation No. 193

Within 18 months of its adoption, over 20 ILO member States had used the instrument as a basis for new cooperative policies and/or laws. In those countries, the Recommendation facilitates the formation of new cooperatives by the poorest population groups, particularly in rural areas and the informal economy, and is likely to improve the competitiveness of existing cooperative enterprises, which are now allowed to compete on an equal footing with other types of business.

36. It is also necessary to keep policies and regulations up to date. A periodic review of the existing policy and regulatory framework should be conducted in consultation with all parties concerned, in particular employers' and workers' organizations.
37. The fact that women, young people and other groups experience particular disadvantages in establishing and operating a small-scale enterprise means that their interests need to be addressed in policy formulation and implementation. Women often face problems in accessing finance due to laws or customs that prevent them from owning land or property – almost essential in obtaining bank loans. They can also experience difficulties and harassment in registering and operating their enterprise. As a result of research findings, the Ministry of Industry and Trade of the United Republic of Tanzania requested assistance in ensuring that gender equality issues are effectively mainstreamed into all aspects of the new SME policy, and that better access to resources and support are ensured for women entrepreneurs.

Developing policies at local level

38. "An important facet of the Global Employment Agenda is the application of its framework to action at the sub-national level (provincial, district and municipal)".¹⁰ Local authorities

⁹ See ILO: *Participatory cooperative policy-making: A manual*, Geneva, 1998; and H. Hagen: *Framework for cooperative legislation*, ILO, 1997, now available in seven languages.

¹⁰ GB.288/ESP/1(Rev.), para. 23.

can promote entrepreneurship through the adoption of local policies and regulations, as well as through the administration of national laws and regulations. The growing decentralization of government services increases the relevance of local authorities, as do the opportunities for local economic development (LED) and the promotion of local entrepreneurship. In Mozambique, for example, the establishment and operation of three provincial LED agencies was facilitated, and their success prompted the Government to design a national LED policy, which was validated through extended consultations. In Morocco, activities conducted to promote employment creation through SME development in two provinces have provided valuable inputs to help shape the decentralization of the Government's employment policy. In this country, more than 1,500 enterprises have received advice, and almost 200 new enterprises have been established with the creation of 450 jobs since 2000.

39. Local officials are often not aware of the potential for generating employment and reducing overall costs by procuring infrastructure works and public services from local and community-based entrepreneurs. Support is being provided for the introduction of new procedures for procurement, stipulating that entrepreneurs are only eligible to bid if they comply with labour legislation and safety standards, including paying the minimum wage. This approach has been developed and widely applied through the ILO's Employment Intensive Investment Programme (EIIP). Pro-poor partnerships are now being strengthened among municipal authorities in Ghana, Kenya, the United Republic of Tanzania and Uganda to franchise services such as waste collection to local entrepreneurs and community-based enterprises which have adequate working conditions. More than 15 municipalities are involved, with an estimated employment impact of 5,000 new jobs.

2. An entrepreneurial culture based on ILO values

40. Many countries have promotional programmes that encourage people to set up and operate their own enterprise. However, these programmes normally emphasize business and market-related issues, paying scant attention to social and labour matters. The ILO seeks to promote an entrepreneurial culture within which cooperative and private enterprises strive for higher productivity and sustained competitiveness while respecting the rule of law and workers' rights. This is in line with Recommendation No. 189, which urges the adoption of measures "... to create and strengthen an enterprise culture which favours initiatives, enterprise creation, productivity, environmental consciousness, quality, good labour and industrial relations, and adequate social practices which are equitable".
41. Such an entrepreneurial culture should take account of the benefits and pitfalls, as well as the duties associated with establishing and managing an enterprise. Entrepreneurship, it should be noted, is not for everyone. It is about taking calculated risks in the business environment – risks which should not unduly jeopardize the assets and resources of the business owners, their workers and their families. Therefore, entrepreneurs should be more aware of the potential advantages and disadvantages, as well as the responsibilities of ownership, in order to make informed choices about going into business.
42. In transition economies much needs to be done to ensure that new and existing enterprises are familiar with state-of-the-art approaches to entrepreneurship and enterprise development, particularly in the context of market liberalization and globalization. A dynamic entrepreneurial culture that is supported by government and the social partners can help bridge the information and skills gaps relating to market mechanisms, lending and repayment procedures, commercial and trade-related information, and business and marketing research functions.

43. Cooperative entrepreneurship is also being encouraged as cooperatives are, by definition, value-based organizations. Recommendation No. 193 recognizes the seven universal cooperative principles,¹¹ as well as values such as self-help, democracy and solidarity. Cooperative enterprises seek to render efficient economic services to their members (as well as generating a financial surplus), with control based on membership rather than invested capital. As they are often local in nature, such enterprises show concern for local communities and their environment, as well as for their employees. As democratically managed enterprises, they provide their members with voice and representation in addition to the financial benefits accruing from economies of scale and greater bargaining power. In addition, there is some evidence that cooperatives can have a higher survival rate than private enterprises.¹²
44. An entrepreneurial culture is being promoted through training programmes and awareness campaigns with special emphasis on specific target groups. The creation of new enterprises is encouraged, as well as the expansion of viable existing firms.

Training programmes

45. A culture of positive entrepreneurship is promoted through training programmes that combine entrepreneurship and management skills with concerns for job quality. These programmes encourage innovation in researching markets and identifying viable business opportunities, as well as by emphasizing how better ergonomics, health and safety at work, entrepreneur-worker cooperation, and social protection contribute to a more profitable and productive enterprise. Workplace dialogue is encouraged on matters such as employee participation in training courses and national social security schemes. These and other aspects of job quality have been promoted in Asia, Africa and Latin America.
46. For more established enterprises, the “high-road” to productivity and competitiveness is promoted, based on international labour standards (ILS). The objective is to translate these standards into management practices that contribute to decent work. This approach highlights the principles and economic reasoning underlying ILS, and demonstrates their application with practical workplace examples. For enterprises to be truly competitive in a globalized economy, they need to make significant investment in human, economic and social capital. The ILO also conducts research on productivity, competitiveness and supply chain management; produces case studies on the impact of ILS-based management practices;¹³ and develops training materials on topics such as ILS and productivity, and worker-management cooperation.

Awareness campaigns

47. Public awareness campaigns are being organized using the mass media to reach a greater number of entrepreneurs and workers and inform them of the benefits of better and safer workplaces. These activities are most advanced in Ghana where a radio and television

¹¹ Voluntary and open membership, democratic member control, member economic participation, autonomy and independence, education, training and information, cooperation among cooperatives, and concern for community.

¹² A 1999 study by the Ministry of Commerce and Industry of Canada found that cooperatives had a survival rate nearly twice that of private businesses.

¹³ N. Rogovsky; E. Sims: *Corporate success through people: Making international labour standards work for you*, Geneva, ILO, 2002.

campaign has encouraged entrepreneurs to improve working conditions and workplace cooperation with the aim of increasing productivity and competitiveness. About 300,000 workers and employers were reached effectively at a cost of \$0.38 per person; 40 per cent of these people made improvements in their working environment following the campaign. Mass media campaigns can therefore be effective in bringing simple messages on job quality to large numbers of micro and small enterprises.

48. The promotion of role models can be a powerful means of influencing attitudes towards entrepreneurship and helping to break down gender-based discrimination. To this end videos on women entrepreneur role models have been produced in four countries. In Ethiopia, the ILO is supporting the designation of March 2004 as the Month of Women Entrepreneurs, with activities planned at national and regional level, including a national women entrepreneurs' trade fair.

Education and youth entrepreneurship

49. Young people are encouraged to assess the opportunities for starting their own business. A recent survey has highlighted best practice in this area and will inform future programmes.¹⁴
50. The *Know About Business* (KAB) training package for use in vocational training institutes has been developed with the ILO's International Training Centre in Turin. While many young people would prefer waged employment, this is usually not available. The KAB programme aims to help them realistically consider the options of starting a small business or of self-employment, and it has is playing an important role in transition economies by providing young people with insights into entrepreneurship and enterprise (see box below).

Introducing entrepreneurship into the curriculum

The entrepreneurial culture is often weak in countries making the transition from central planning to a market-based system. Changing the culture involves demonstrating the opportunities for private enterprise and building a positive social attitude that removes the social stigma attached to private business. In Central Asia, the KAB package is used in vocational training programmes. This approach introduces young people to basic business concepts, such as profitability and management, and to key aspects of operating in the market economy, including marketing and contracting. In Kazakhstan, where KAB has been tested with 1,500 trainees in five technical, vocational and educational training centres, the materials have been officially adopted as part of the national curriculum for vocational training and will be used in all training centres.

3. Capacity building for support services

51. Entrepreneurs operate in rapidly changing markets. Their need to access information, skills and business advice therefore increases constantly. As markets become more global, smaller enterprises struggle to cope with these challenges. Faced with intense competition, a "race to the bottom" may seem the only viable option, leading to increased pressure on wages, working conditions and workers' rights. Access to effective business advisory and support services, and the capacity to deliver them, are critical in tackling this situation. Such services should be designed to meet the different needs of micro-entrepreneurs and

¹⁴ K. Haftendorn; C. Salzano: *Facilitating youth entrepreneurship: Analyses of awareness and promotion programmes in formal and non-formal education*, Working Paper, InFocus Programme on Boosting Employment through Small Enterprise Development (ILO-SEED), Geneva, ILO, forthcoming.

the self-employed operating in the informal economy, as well as modern small-scale enterprises.

52. Solutions that progressively blend competitive advantage and higher value products with improvements in job quality are strongly advocated. Support services should help to increase productivity and competitiveness, and identify market niches, while ensuring that decent work becomes a productive factor.
53. It is not the ILO's role to provide direct support to individual enterprises or cooperatives. Its role is to develop new tools and approaches that effectively combine business efficiency with decent work. Collaboration with the social partners, governments and NGOs is very important in helping them build their capacity to deliver support services for positive entrepreneurship.

Tapping synergies between decent work, productivity and competitiveness

54. Tripartite national productivity centres have been supported in several regions. These centres encourage labour-management consultation and partnership, job quality, gains-sharing, and the improvement of human and social capital. For example, the tripartite National Wages and Productivity Commission of the Philippines, established in 1989, had extended assistance, since 1999, to 1,300 small enterprises and trained 25,000 owners, managers and workers by October 2003.
55. The members of shared service cooperatives are businesses which increase their competitiveness by pooling resources and purchasing power, and reducing operating costs through the joint use of equipment. They have enabled many small enterprises in Europe, North America and Japan to withstand global competition. With the International Cooperative Alliance and the IOE, the ILO has recently agreed to promote the concept in developing countries.
56. Many sector-based clusters of small enterprises face severe pressures from globalization. The ILO's sectoral approach actively involves the social partners in assessing problems and opportunities for these small enterprises, and concentrates on "high-road" upgrading strategies that match competitiveness with improved working conditions, earnings and job creation. The approach has been used in the wood furniture industry in Indonesia, cultural industries in Zambia and Senegal, the metal furniture sector in the Philippines and the handicrafts sector in Viet Nam.
57. Poor indigenous and rural communities in Latin America have also benefited from integrated support for sustainable tourism through the REDTURS programme.¹⁵ REDTURS provides access to business information, markets and training, and encourages more effective dialogue between communities, public institutions and private sector organizations. This approach is supported in 140 communities in six countries of Latin America. One of the key strategies involves helping small and community tourism operators to strengthen or create national business associations and networks, such as the FEPTCE¹⁶ in Ecuador and REDTURS in Brazil, Costa Rica, Colombia and Guatemala. The objective is to ensure that these organizations participate in shaping national and local

¹⁵ Red de Turismo Sostenible (www.redturs.org).

¹⁶ Federación Plurinacional de Turismo Comunitario de Ecuador.

policies with regard to access to infrastructure, credit, training, information and new markets.

- 58.** The socially responsible approach to the restructuring of enterprises aims to improve their productivity and help them find new markets, particularly in the context of globalization. The objective is to minimize the negative effects on workers of changes that entrepreneurs must make to remain competitive. Enterprise managers, trade unions and governments, are encouraged to use social dialogue to formulate alternatives to redundancy, and make use of government employment services and active labour market policies, such as in promoting the creation of new micro-enterprises. In Ethiopia, for example, the tripartite constituents are promoting self-employment and entrepreneurship for retrenched female workers with ILO support. To date, 100 women have been trained and an association of laid-off workers has been formed.

Developing tools

- 59.** A broad range of materials on improving business performance has been developed (see annex). The target users include policy makers and local government officials, representative associations, business support providers and radio stations, as well as existing and potential entrepreneurs.
- 60.** One example is the *Start and Improve Your Business* (SIYB) package. In the past five years it has been used to train 100,000 entrepreneurs in 90 countries. It has assisted in creating 25,000 jobs in 10,000 new enterprises, and a further 20,000 jobs in expanding enterprises within this period.¹⁷ Earlier research indicated a cost-per-job-created of between \$88 and \$160.¹⁸ SIYB is implemented in partnership with employers,¹⁹ and workers' organizations,²⁰ and public, private and donor-supported training providers. The "decent work" approach is integrated into modules on human resource management, highlighting the positive impact on productivity of protecting workers' rights, improving working conditions, and promoting owner-worker cooperation. Recent innovations include mainstreaming the ILO's HIV/AIDS in the workplace (code of practice) into SIYB programmes across Africa. The SIYB training tools have provided entry points to policy formulation, for instance in Viet Nam.

Combating discrimination

- 61.** Women face gender-based obstacles in accessing finance, business premises and other economic resources. Consequently many women operate subsistence enterprises in conditions of extreme vulnerability. In a pilot programme to improve market access for women in the informal economy, support is provided for women's participation in trade fairs in Ethiopia, for rural tourism in Estonia, and for women in food processing in the United Republic of Tanzania. In India, support is aimed at improving women's access to business development services.

¹⁷ ILO SIYB *Global Outreach Report*, Geneva, forthcoming.

¹⁸ GB.273/ESP/4/2, p. 27.

¹⁹ Mali, Mauritius, Mongolia, the Philippines, Senegal, Uganda, Viet Nam and Zambia.

²⁰ Malawi, South Africa, Sri Lanka and Zimbabwe.

62. Discrimination is particularly acute among women with disabilities, further exacerbating their vulnerability and marginalization in the labour market and broader society. In Ethiopia a project promotes entrepreneurship for women with disability, and 400 clients have already been assisted – one-third of whom have established their own enterprises. Nineteen of the disabled women have been trained as business skills trainers. As a result of ILO support, the Ethiopian Federation of Persons with Disabilities has won a World Bank grant of \$200,000 to set up a public services cooperative in Addis Ababa, to employ around 125 women with disabilities.

Importance of financial support services

63. Linking financial services to business development services (BDS) can ensure a better supply of both. Access to business services could raise productivity and job-creating potential; access to finance can help entrepreneurs to implement necessary changes.
64. A range of training materials and tools has been developed on financial services for small enterprises, the self-employed, and microfinance institutions. They deal with topics such as leasing, insurance, revolving loans and guarantee funds.

Financial support for small enterprises

It is possible to enhance market access for start-up entrepreneurs or existing SMEs at different levels:

- (i) innovations in financial services by down-scaling delivery, externalizing transaction costs, addressing information asymmetries by using the social capital of small business associations; this can be applied to leasing, equity finance, guarantees, insurance;*
- (ii) linking financial and non-financial services: the ILO has developed tools to help business starters – including those coming out of unemployment – to manage their resources better;**
- (iii) adjusting the institutional infrastructure: rating agencies, credit bureaux, property registries; and
- (iv) encouraging the retention of profits for reinvestment by providing fiscal incentives; depreciation allowances that distinguish between enterprise sizes and other means.

* www.ilo.org/socialfinance

** *Good Practice Guide – Microfinance for self-employment in industrialized countries*, ILO, Geneva, 2003; and SIYB modules on accounting.

Influencing donor thinking

65. The ILO has played a leading role in the Committee of Donor Agencies for Small Enterprise Development,²¹ which has formulated a set of “Guiding principles for donor intervention” in business development services for small enterprises.²² In addition, an annual BDS seminar is organized at the Turin Centre,²³ featuring presentations from many of the leading donor agencies each year. About 500 people from 60 countries have participated in these seminars, to explore new ideas and approaches to support service delivery. Recent presentations have covered women’s entrepreneurship, job quality in small enterprises, and innovative roles for self-help SME associations.

²¹ See <http://www.sedonors.org>

²² See <http://www.ilo.org/dyn/bds>

²³ See <http://training.itcilo.it/bdsseminar>

IV. Lessons learned

66. Some major findings emerging from efforts to promote entrepreneurship and enterprise development are summarized below.

Policies and regulations

- Policy reform is more cost effective than direct support in creating quality jobs through entrepreneurship; it is a prerequisite for successful interventions at other levels.
- Policy and regulatory reforms which are developed in close consultation with all parties concerned have the best prospects for success.
- The challenge is to ease regulatory burdens without compromising workers' rights. Simplifying compliance is preferred to granting exemptions.
- Effective policy reform and implementation requires coordination between ministries, as well as synergy between national and local government agencies.
- ILO work on policy reforms has had greater impact in the area of cooperatives than in the area of MSEs. This is due, among other things, to a longer ILO history in cooperative development, the narrower range of policies and laws affecting the sector, and a stronger network of institutions at the national and international levels. ILO work on MSEs needs to reflect these lessons.
- MSEs and their workers suffer from a wide representational gap, particularly in the informal economy. Governments and the social partners have key roles to play in closing the gap and improving representational capacity.
- Expert advice on the legal and fiscal aspects of policy reform is required in drawing up the most appropriate instruments. Good practices from other countries can provide key inputs with a view to adapting them to national and local circumstances.
- Effective policies to upgrade informal economy units reduce the cost of establishing and operating an enterprise, and enhance and promote the benefits of legal registration.
- There is a need for policies to combat discrimination, particularly gender discrimination.

Entrepreneurial culture

- The job quality message should emphasize links with improved productivity and competitiveness.
- Advocacy and awareness campaigns require imaginative use of the media (e.g. radio can reach many entrepreneurs and workers in isolated communities).
- Entrepreneurship is not for everyone; campaigns should recognize this fact.

Capacity building for support services

- Dense networks of institutions are needed to provide representational, business development, financial, market access, infrastructural and other services to MSEs.
- Government, employers' and workers' organizations are key in defining, developing and facilitating these services.
- The private sector has a vital role in delivering many services in a cost-effective and sustainable manner.
- Business development service programmes can promote decent work as a productive factor at the enterprise level and can also provide entry points for promoting policy change.
- Scaling up programmes so as to reach large numbers of beneficiaries remains a major challenge.
- Integrated approaches to MSE development need to be reviewed and refined.

V. Resources

67. This section provides an overview of the resources available to the work on entrepreneurship promotion, including regular budget, programme support income (PSI), and extra-budgetary resources for technical cooperation (TC). The section also provides estimated breakdowns of staff time and TC resources between the three key strategic work areas.

Staff and non-staff resources

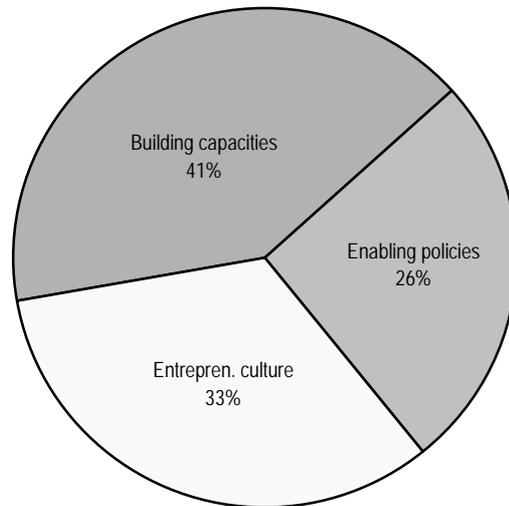
Table 1. Staff (P posts) and non-staff resources (\$000s) for job creation and enterprise development

Cost item	Centralized (EMP/ENT)*		Decentralized (enterprise specialists)		ITC Turin (enterprise specialists)		Total	
	02/03	04/05	02/03	04/05	02/03	04/05	02/03	04/05
RB – P. staff	18.5	18.5	12	12	4	4	34.5	34.5
PSI - P. staff	4	1.5	–	–	n.a.	n.a.	4.0	1.50
Total P staff	22.5	20	12	12	4	4	38.5	36
RB non-staff	1 301	1 169						
RBTC non-staff	523	n.a.						
PSI non-staff	191	n.a.			n.a.			
Total non-staff	2 016	–						

* Only EMP/ENT resources (comprising IFP/SEED, COOP and Management and Corporate Citizenship (MCC)) are listed since this is the lead unit at HQ. However, other units (SFP; IFP/Skills; EMP/INVEST; Gender Bureau; Travail; Egalite; Migrant; IFP/Dialogue; IPEC; Declaration; ACT/EMP and ACTRAV) contribute significantly to the programme. Similarly, only enterprise development specialists are included for the field, although the work involves other specialists.

Chart 1 provides an estimate of the allocation of staff time during the 2002-03 biennium between the three key strategic work areas.

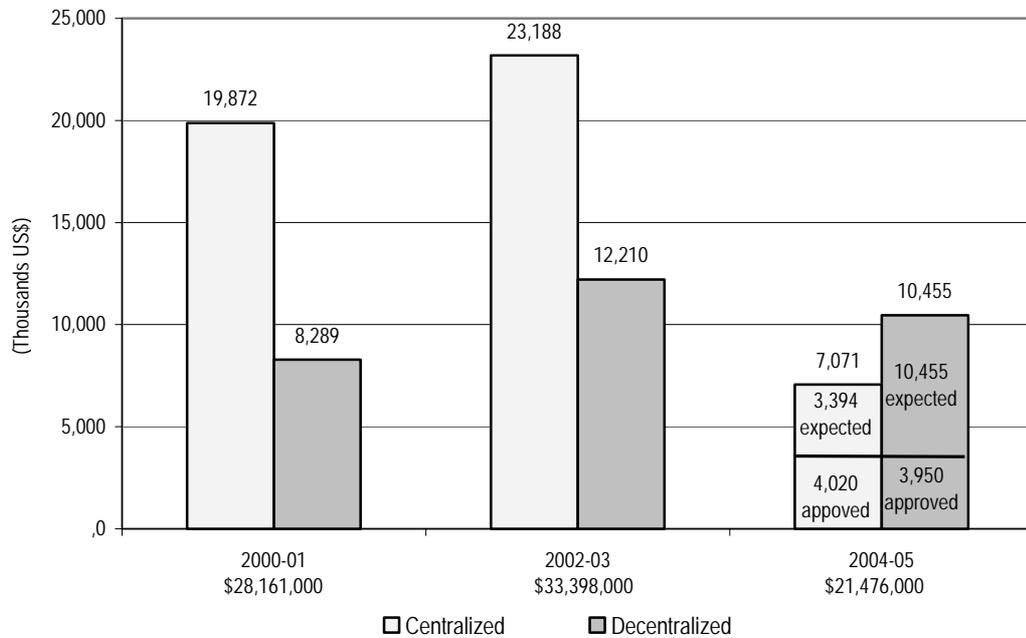
Chart 1. Estimated allocation of staff time during 2002-03



Technical cooperation

Chart 2 shows the overall development in technical cooperation resources for the last two biennia and projections for 2004-05.

Chart 2. Trends in technical cooperation resources *



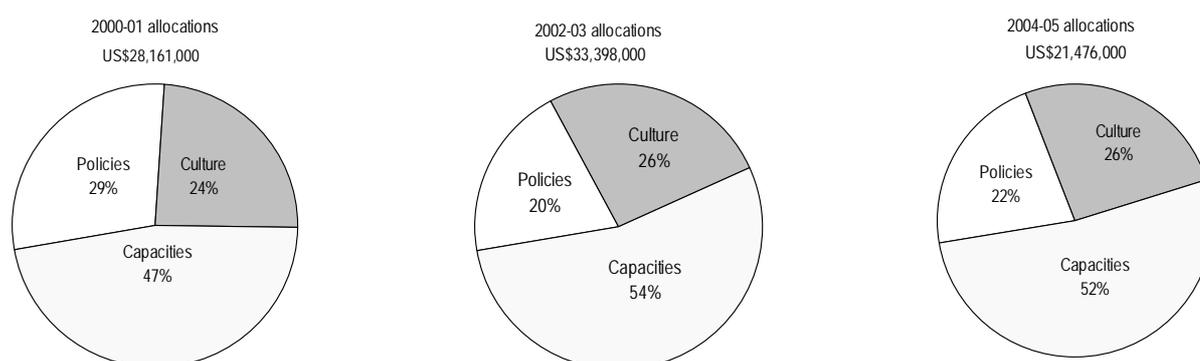
* Excluding Turin activities.

The following main points emerge:

- the Job Creation and Enterprise Development programme represents a significant TC portfolio;
- there has been a significant shift from centralized to decentralized TC;
- a significant decline is projected in TC for the 2004-05 biennium, mainly due to the following:
 - some donors have changed their priorities (e.g. Netherlands);
 - a sharp decline in UNDP resources due to policy of direct execution.

An approximate breakdown of TC resources between the key strategic work areas have been attempted for the same time periods. The breakdown shows that the TC allocation between the three areas has remained relatively unchanged, although it has been difficult to attract TC resources for work on policies.

Chart 3. Estimated allocation of TC resources *



* Project allocations managed by or in the technical field of the Job Creation and Enterprise Development.

VI. Future priorities and actions

68. Notwithstanding the wide range of entrepreneurship-related issues addressed by the current programme, actions should be strengthened in a number of areas. First is the need to further integrate the core GEA values of decent work as a productive factor, non-discrimination and social dialogue into entrepreneurship promotion. Second, support for employers' and workers' organizations in their efforts to promote entrepreneurship at the national level will be strengthened. Third, institutional alliances will be enhanced to promote ILO concerns with decent work and poverty issues.

Mainstreaming ILO values

69. Progress has been made since the launch of the Decent Work Agenda on mainstreaming key ILO concerns such as job quality, non-discrimination and social dialogue, into entrepreneurship promotion. However, more can be done.

70. *At the policy level*, additional research (which includes lessons learned and emerging good practice) will focus on identifying the enterprise development policies which can most effectively improve the quantity and quality of employment. Particular challenges are to reduce the burden of compliance on the entrepreneur, while ensuring adequate workers protection, and to bridge the “representational gap” for small-scale entrepreneurs and workers. Attention will be given to strengthening the voice of those directly concerned in enterprise policy reform, notably workers’ and employers’ organizations. Experiences with labour law reform will be reviewed and the impact on the quantity and quality of jobs in small enterprises will be assessed. These items will be developed in collaboration with IFP/Dialogue, ACTRAV and ACT/EMP.
71. *Tools to promote an entrepreneurial culture* in line with ILO values will be further refined. A particular focus will be on the use of mass media and distance learning for greater cost-effectiveness and impact. This will be developed in close contact with the ILO International Training Centre in Turin.
72. *On capacity building for support services*, the elements promoting decent work as a productive factor will be further developed and integrated into existing packages. Programmes on women’s entrepreneurship will be continued and strengthened.

Collaborating with employers’ and workers’ organizations

73. Trade unions and employers’ organizations can help workers and entrepreneurs in small-scale enterprises to organize through collective action. Similarly, they are key players in the building a policy and regulatory environment conducive to enterprise development and employment generation. Future work will focus on enhancing the capacity of the social partners to contribute more to national and local policy-making on entrepreneurship. They will also be supported in building capacity to deliver services to small enterprises and their workers.

Working with ILO constituents and external partners

74. A number of strategic alliances will be further developed, with the involvement of ILO’s constituents as appropriate, to strengthen the contribution made by the ILO’s work on entrepreneurship to global agendas and major regional events. These include the Millennium Development Goals (MDGs), and the Poverty Reduction Strategy Papers (PRSPs), and the upcoming Extraordinary Summit of African Union Heads of State and Government on Employment and Poverty, to be held in Ouagadougou in 2004.
- A. *Rural entrepreneurship*. Most of the world’s poor live in rural areas and entrepreneurship promotion strategies for this target group are a priority. Joint activities with FAO on local economic and cooperative development in rural areas in Brazil and Mozambique are being designed, and collaboration will be expanded.
- B. *Microfinance in support of entrepreneurship*. This will be given high priority through ILO participation in the Consultative Group to Assist the Poor (CGAP), whose recent peer review identified ILO as having a comparative advantage among international agencies in this area.
- C. *Gender equality and women’s entrepreneurship* are key aspects of ILO strategy to address discrimination in the labour market. Ongoing collaboration with OECD, EU,

Commonwealth Secretariat, African Development Bank and others will be further consolidated in this area.

- D. *Cooperative entrepreneurship* will be further strengthened through collaboration with the International Cooperative Alliance. Activities will focus on joint activities to fight poverty, the design of a major joint technical cooperation programme on cooperative promotion, joint promotion of Recommendation No. 193 and the fostering of partnerships between cooperatives in the North and in the South. Furthermore, strategies for organizing informal economy workers into cooperatives will be strengthened in collaboration with the ICFTU.
- E. *Youth employment and entrepreneurship* is an important element in strategies to address alarming levels of youth unemployment in many parts of the world. Work in this area will take account of the *resolution on decent work for youth in Africa and the ILO's response*.²⁴ Collaboration with the World Bank will be intensified in this area.
- F. *Policy and regulatory reform* will be a priority for comparative research on promoting decent work through entrepreneurship. Collaboration will be consolidated with the Committee of Donor Agencies for Small Enterprise Development and organizations with expertise in tripartite productivity promotion such as the Asian Productivity Organization (APO).
- 75.** The Committee may wish to provide advice and guidance in respect to future priorities and actions of the Office's work on entrepreneurship, as outlined in this paper. The Committee's guidance could address the following areas: (1) ensuring that workers and employers in micro and small enterprises are adequately represented, particularly in the formulation and implementation of policies and regulations at the national and local level; (2) reducing the burden of compliance on enterprises without compromising workers' rights and protection; (3) ensuring greater effectiveness of the GEA core element No. 5 in promoting decent work, and contributing to global agendas such as the PRSPs and the MDGs; and (4) strengthening alliances with external partners.

Geneva, 23 January 2004.

Submitted for discussion.

²⁴ Xth Session of the ILO African Regional Meeting, December 2003.