Promoting Decent Work through Small Enterprise Development
Experiences of helping laid-off workers to start business in China
版权 2005 年国际劳工组织

2005 年第一次印刷

根据《世界版权公约》之议定书 2，国际劳工局享有版权保护。不过，这些出版物的摘录可不经批准予以使用，条件是说明资料来源。关于再版和翻泽的权利，应向国际劳工局出版局（权利和批准科）提出申请，地址是：国际劳工局 CH-1211 日内瓦 22，瑞士。国际劳工局欢迎提出这类申请。

在英国版权批准机构，90 Tottenham Court Road，London WIT 4LP [Fax; (+44) (0)2076315500; e-mail: claja@cla.co.uk]，在美国版权批准中心，222 Rosewood Drive，Danvers, MA 01923 [Fax; (+1)(978)750 4470; e-mail: infoc@copyright.com]，或者在其他国家联合再版权利组织登记的图书馆、机构和其他用户，可根据为此目的发给的批准证书出版复制本。

国际劳工局

日内瓦，国际劳工局，2005 年

国际劳工局出版物中所用名称与联合国习惯用法保持一致，这些名称以及出版物中材料的编写方式并不意味着国际劳工局对任何国家、地区、领土或者当国的法律地位，或其他边界的划分，表示修改意见。

署名文章、研究报告和其他文稿，文责完全由作者自负，其发表并不构成国际劳工局对其中所表示的意见的认可。

出版物中提及的公司名称、商品和制造程序，并不意味着为国际劳工局所认可，同样，未提及的具体公司、商品或制造程序也不意味着国际劳工局不认可。

国际劳工局出版物可以通过大书店和国际劳工组织在许多国家的地方办事处获得，也可以直接从国际劳工局出版部获得，地址是：国际劳工局，CH-1211 日内瓦 22，瑞士。新出版物的目录清单可从上面的地址免费获得，或者通过 e-mail: pubvente@ilo.org

请访问我们的网站：www.ilo.org/publn

在中国印刷
Preface

The significant impact and progress made by the ILO/PEP after its 8-year's successful operation in China, is something we should all be proud of.

As the title indicates, the ILO/Japan Inter-country Project on Strategic Approaches towards Employment Promotion Project aims to provide models and pilot strategic approaches to employment promotion. After successful implementation of its first phase for developing employment promotion models for rural low-income families in China, the second phase has also made great contributions to the employment promotion for the laid-off and unemployed workers in urban areas through carrying out SYB training and establishing a small-loan credit guarantee fund and helping them to start-up their own businesses. The good experience and practice in pilot cities of the second phase are already used to support the formulation of a series of active employment policies at national level.

As study shows that in most East and South-east Asia, small-and-medium-scale businesses have been the engines of growth, providing employment and helping to reduce those living in poverty. The ILO employment promotion agenda puts strong emphases on the support of small and micro enterprises, acknowledging the fact that most jobs worldwide are created in this sector of the economy. At the moment of the project’s closure, the project useful experiences are compiled, reported in a fascinating style and published to draw a wider audience’s attention to the ILO’s concern in small enterprise development and job creation in the context of decent work agenda. It’s our pleasure to sharing the integrated ILO’s approach on promoting the small enterprise development with the other relevant technical cooperation projects, donor communities and international agencies.

It is hoped that the ILO, together with the Chinese government, will continue to contribute to promoting the decent work through small enterprise development and therefore to generate more job opportunities for both men and women in China.

Constance Thomas
Director, ILO Beijing Office
序言

PEP项目已经在中国成功地实施了8年时间，我们都应对项目所取得的巨大影响和进展感到骄傲。

正如项目的名称－国际工组织／日本国家间就业促进战略项目所指，项目的宗旨是为就业促进探索经验和寻求方法。继项目一期为中国农村低收入家庭成功地开发了就业促进模式后，项目二期又通过引进创业培训(SYB)和创建小额信用担保贷款，帮助下岗失业人员创办自己的企业，有力地推动了城市地区下岗失业人员的再就业。二期项目通过试点活动已经为国家制定积极的就业政策提供了决策支持。

正如研究报告表明，在东亚和东南亚大多数地方，小型和中型企业一直是发展的推动力，能够提供就业机会和帮助减少贫困人口。国际工组织就业促进议程着重强调了对微小企业的扶持，承认这个经济领域创造了世界上的大部份工作。在项目结束之际，项目将有益的经验收集整理，以生动的报道形式出版发表，希望有更多人注意到国际工组织在体而劳动议程背景下对小企业发展和就业创造的关注。中国很高兴能和其它相关技术合作项目，捐赠国政府和国际社会，共同分享国际工组织促进小企业发展的经验方法。

希望国际工组织能够继续和中国政府一道，通过扶持小企业促进体而劳动，从而在中国为更多的男人和女人创造就业机会做出贡献。

国际工组织北京局局长
康妮
前言

为了帮助下岗失业人员创业和自谋职业，中国劳动和社会保障部与国际劳工组织于2001年至2005年共同组织实施了中国城市就业促进试点项目，项目首先选择河北省张家口市，内蒙古自治区包头市，吉林省吉林市进行试点，探索为下岗失业人员开展创业培训，利用援助和试点城市政府采购提供的配套资金，建立小额贷款信用担保基金，探索以培训促进创业，以创业带动就业的城市就业促进新模式。2004年6月，为了实验项目技术在其它城市推广的可行性，又将石家庄、通辽、长春纳入了PEP项目城市。

项目实施近4年来，取得了较好的成果。截至2004年底，六个城市有14794人参加了SYB创业意识培训，其中，7146人参加了SYB创业计划培训，并成功完成创业计划书，培训后有4821人成功地创办了企业，并创造了20913个就业岗位。项目为500名多成功创业者提供了小额贷款担保，总担保额1952.9万元。项目还在上海成立了SYB创业培训师资进修中心。先后在上海、天津、北京、黑龙江等地共计培训SYB教师1714人。总之，项目的实施受到了试点城市政府和下岗失业人员的欢迎，同时也为中国劳动和社会保障部和试点城市劳动保障部门制定和落实相关政策探索了道路。在总结项目在试点城市的经验基础上，2003年3月劳动和社会保障部还在全国建立了十个创业示范基地，并确定将SYB模式向全国100个城市推广。

随着中国市场导向就业机制的形成和再就业优惠政策的落实，中国必将迎来一个新的创业高潮。我们诚挚地希望与国际劳工组织的SIYB中国项目继续合作进一步促进SYB培训技术在全国的推广和应用，积极探查适合中国国情的创业促就业之路。

让我们团结起来，共同为中国的培训就业工作做出贡献！

PEP项目指导委员会主任
劳动和社会保障部培训就业司司长
Foreword

To help laid-off and unemployed workers start their own businesses and achieve self-employment, the Ministry of Labour and Social Security of China, in cooperation with the International Labour Organization, implement the second phase of the China Urban Employment Promotion Pilot Project from the year 2001 to 2005. Three pilot cities – Jilin (Jilin Province), Zhangjiakou (Hebei Province) and Baotou (Inner-Mongolian Autonomous Region) were initially selected to explore a new model of urban employment promotion by carrying out Start Your Business training and establishing a small-loan credit guarantee fund for laid-off and unemployed workers. In June 2004, the project was expanded to three more cities - Shijiazhuang, Tongliao and Changchun to test the possibility of replicating the project in other cities.

After nearly 4 years of pilot implementation, the project has achieved success. By the end of 2004, 14,794 laid-off and unemployed workers have completed SYB Business Awareness Training. 7,146 of them have attended the SYB Business Plan Training and completed their Business Form. 4,821 of them started their own businesses successfully and created 20,913 new job opportunities. More than 500 qualified small entrepreneurs have received 19,529,000 yuan in loans from the contracted commercial banks. The project has also established a National SYB TOT programme in Shanghai. So far there are totally 1,714 SYB trainers participated the SYB TOTs held in Shanghai, Tianjin, Beijing and Heilongjian Provinces. In general, the project has been warmly received by local governments and laid-off and unemployed workers. Based on the pilot project experience, the PEP project has assisted the government at the national level to formulate plans and policies; the MOLSS also established 10 Business Start-up Demonstration Bases in March 2003, and decided to extend the SYB model to 100 cities throughout the country.

With the establishment of a market-oriented employment system, China will enter a booming period of business startups. I sincerely hope the continuous cooperation with the ILO SIYB China Project, can further promote the expansion of SYB training model in nationwide and explore new employment promotion methods suitable to China.

Let’s work together to contribute to the training and the employment promotion in China.

Yu Faming
National Project Director, ILO/PEP
Director General, Department of Training and Employment
Ministry of Labour and Social Security
目 录

序 言
 前言
 简 介
 就业促进工作的新思路 ................................................................. 2
 包头市的创业者之家 ............................................................... 8
 促进有利于小企业发展的政策环境 ........................................... 14
 SYB 帮助我创业成功 ............................................................... 21
 缩短通向小额贷款的路 ............................................................ 28
 PEP 项目改变了我的生活 .......................................................... 35
 从下岗职工到人大代表 ......................................................... 41
 安全的劳动条件是小企业发展之本 ........................................... 48
 身残志坚 勇于创业 ............................................................... 54
 一个根据你的需求定做的通用工具 ........................................... 61
 为创业者提供全方位服务 ....................................................... 67

Catalogue

Preface

Foreword

Introduction

A New Outlook and a Renewed Dedication to Promoting Employment ........... 2
A Home for Business Starters ...................................................... 8
Building a Favourable Policy Environment ...................................... 14
SYB Helped Me to Build a Successful Business .................................. 21
Shortening the Route to Micro-Credit .............................................. 28
PEP Has Changed My Life for the Better ......................................... 35
Survive and Thrive ................................................................. 41
Promoting Safe Working Conditions ............................................ 48
Taking Off with Crippled Legs .................................................... 54
A generic tool, but tailored to meet your needs ................................ 61
Business Starters’ Aid Package .................................................... 67
中国城市就业促进项目

简 介

国际劳工组织/日本国家间就业促进战略项目（简称国际劳工组织就业促进项目）通过帮助亚太地区受援国的劳动部门为失业者和就业不充分者开发就业促进计划。

二期项目在中国实施，通过与中国劳动和社会保障部和试点地区的就业局合作，在中国的农村和城市地区开展试点活动。一期项目在甘肃省、河北省和江西省的23个县实施，为农村低收入家庭开发就业促进模式。

二期项目于2001年开始实施。项目的宗旨是通过在城市地区发展小企业为下岗和失业人员创造更多的就业机会。项目主要活动主要包括：（1）创办你的企业（SYB）培训；（2）小额信贷担保基金（CGF）；（3）后续技术支持服务。项目开始在三个试点城市开展：吉林市（吉林省）、张家口市（河北省）和包头市（内蒙古自治区）；2003年6月又通过扩点增加了三个试点城市：长春市、张家口市和通辽市。潜在的微小企业家可以通过项目SYB培训将企业构想转换成可行的企业计划，同时获得项目资金支持创办自己的企业。

成果和影响

SYB培训：结合中国情况开发和完善了一套SYB培训教材，建立了SYB师资培训体系。截至到2004年底，在三个试点城市，一共有15,551名下岗失业人员参加了SYB创业意识培训，其中8,108人完成了SYB创业计划培训。因为培训教材通俗易懂，实用性强，教学方法新颖独特，受到了下岗失业人员的普遍欢迎，以及培训机构和各级政府的充分肯定。SYB培训模式推广到了全国几十个城市。为了满足全国对SYB培训的巨大需求，在国际劳工组织和中国劳动和社会保障部的共同努力下创办和改善你的企业（SIYB）中国项目于2004年7月正式启动。

小额贷款担保基金：在项目资金扶持和技术支持下，每个试点城市都建立了项目信用担保基金为项目受益人提供小额贷款担保帮助他们创办和发展自己的企业。

政策影响：项目有效地促进了试点城市的就业和微小企业的发展。中国劳动和社会保障部已经意识到SYB培训和小额贷款担保基金是帮助下岗失业人员创办自己的企业的有效途径。2002年9月，全国再就业工作会议制定了一系列综合地促进下岗失业人员再就业的政策，包括在各地劳动就业局建立信用担保基金，促进创业培训的发展。
Project on Strategic Approaches Towards Employment Promotion (PEP)

Introduction

The ILO/Japan Inter-Country Project on Strategic approaches Towards Employment Promotion (ILO/PEP) assists labour ministries to develop employment creation schemes for un/under-employed people in Asia and the Pacific Region.

In China, the third phase of the project, in partnership with China’s Ministry of Labour and Social Security (MOLSS), has carried out pilot activities in China’s rural and urban areas. Phase 1 was implemented in 23 counties of Gansu, Hebei and Jiangxi provinces, developing employment promotion models for rural low-income families.

Phase 2, inaugurated in 2001, aims to create jobs for laid-off and unemployed workers through development of small businesses in urban areas by providing (1) “Start Your Business” (SYB) training as entrepreneurship training, (2) Credit Guarantee Fund (CGF) plus small loans as financial support for business start-up and development, and (3) follow-up technical support. This work is initially being conducted in three pilot cities: Jilin (Jilin Province), Zhangjiakou (Hebei Province) and Baotou (Inner Mongolian Autonomous Region); in June 2003 the project extended to 3 more cities: Changchun, Shijiazhuang and Tongliao. Potential micro-entrepreneurs could benefit on learning how to convert their business ideas into practical business plans as well as obtaining financial resources to start their businesses.

Achievements and Impacts

SYB training: A set of SYB training materials were developed in adaptation with the Chinese context; and the SYB Training of Trainers system was established. By the end of 2004, there’re totally 15,551 laid-off and unemployed workers attended the SYB Awareness Training, among them, 8,108 workers completed the SYB Business Plan Training in the three old project pilot cities. The SYB training is welcomed by the laid-off and unemployed workers owing to its practicality, simplicity and unique methods, and received the recognition of the training institutions and governments at various levels. SYB training model has been expanded to several dozens of cities in China. In order to meet the huge demand on SYB training, a new SIYB China Project was launched in July 2004 with the joint efforts made by the ILO and the MOLSS.

CGF plus small loan: With the project’s financial assistance and technical support, the CGF was established in each pilot city to provide the small loan CGF to the project beneficiaries to help them start-up and develop their own businesses.

Impact on national policies: The project effectively promoted the development of micro and small enterprises and the employment creation in the project pilot cities. MOLSS has recognized that the SYB training and a small loan CGF are effective means for enhancing the capacity of laid-off and unemployed workers to create small businesses and generate jobs. In September 2002, the National Re-employment Conference formulated a series of comprehensive re-employment promotion policies for laid-off workers, including establishing CGFs under labour and employment bureaus throughout the country and sponsoring business start up training. ILO/PEP contributed the initials ideas for these two new policies.
A New Outlook and a Renewed Dedication to Promoting Employment

就业促进行政的新思路
A New Outlook and a Renewed Dedication to Promoting Employment

Gao Nianping is a veteran in the field of employment promotion. Working in the Baotou Employment Bureau for over ten years, he has witnessed major transformations in the Chinese labour market and carried out government policies in response to them. Talking about his experience with the PEP project, he said, ‘The PEP project has not only given me a new understanding of employment promotion and strengthened my ability to carry it out, but also given me increased satisfaction with my job. In that sense, I’m a beneficiary of the project too.’

In discussing Gao Nianping’s experience with the PEP project, it is impossible to overlook his work before joining the project: 12 years in the Labour Service Enterprise Administration Division of the Employment Bureau in the city of Baotou, Inner Mongolia. The term ‘labour service enterprises’ (LSEs) refers to enterprises, typically of medium or small size, established to provide large-scale state-owned enterprises with ancillary services: help with recruiting temporary workers, assorted services, logistics and the production process. The primary reason for setting up labour service enterprises was to create employment opportunities for family members of SOE workers and young people from the local community. ‘At the time, only SOE jobs were considered real employment, but SOEs couldn’t meet the surging demand for jobs. Labour service enterprises were set up to fill the gap,’ Gao said. ‘Basically, labour service enterprises served as a reserve labour pool, where jobless people worked temporarily while waiting for vacancies to open in state-owned enterprises.’

The government attached great importance to labour service enterprises. Assistance to LSEs included tax reductions and exemptions, and financial injections with no need to repay. ‘Our division didn’t get directly involved in promoting the establishment of labour service enterprises,’ Gao said. ‘Our tasks
A New Outlook and a Renewed Dedication to Promoting Employment

were to administer them by choosing performance indicators, carrying out quality control, and providing financial support and overall administration of workers engaged in the sector.’ During the period between 1993 and 1997, labour service enterprises boomed, becoming the major generator of employment opportunities. Since 1998, most labour service enterprises have run into trouble, primarily because the state-owned companies to which LSEs were attached became enmeshed in financial crises and were subsequently shut down.

‘After 1998, the priority in our work shifted to ensuring smooth SOE reform and the transfer of SOE workers,’ Gao said. Workers from SOEs and attached LSEs were transferred to re-employment service centres, where they received a basic living allowance, job placement and free training. To promote the re-employment of laid-off workers, the government instituted preferential policies, involving direct investment, help in relocation, and reduced taxes and administration fees. ‘However, the policies never had the impact we had expected,’ Gao explained. ‘This was because SOEs and laid-off workers could not benefit from the policies unless they had set up an enterprise. We were thinking of providing business start-up services but didn’t know where to start. Then the PEP project came to China.’

In early 2001, Baotou was designated one of three PEP pilot cities in China. ‘It brought a completely new concept of employment promotion to China, so we weren’t really sure what exactly the project would achieve,’ Gao recalled. ‘At first, the project was assigned to the Employment Division, since “employment” appears in the project title. Then it was noted that the project was about small-business development, so it was re-assigned to the LSE Administration Division. Later the project was shifted to

Promoting Decent Work through Small Enterprise Development
A New Outlook and a Renewed Dedication to Promoting Employment

When PEP began to function in late 2001, it became clear to us that the project involved comprehensive step-by-step measures to promote employment through small-business development, ranging from business start-up training and access to credit backed by credit guarantee funds, to follow-up services. The project has proved to be an effective model for helping laid-off and unemployed workers to come up with business ideas and making successes of their new enterprises,” Gao said. “It also brought home to us that the best way to foster employment is by providing laid-off workers with “fishing” know-how instead of a “fish”. It’s completely different from what we did in the past, when we provided living allowances and arranged new jobs. It’s a totally new concept of employment promotion.”

The project also gives local project officials a more strategic way of viewing employment promotion. “Government agencies at the grass-roots level tend to be immersed in day-to-day matters. They don’t spend much time on policy issues,” Gao pointed out. “In contrast, the project is always pushing us to review our activities from a strategic angle and integrate project activities into government mainstream programmes by altering institutional arrangements. Now we don’t see the project in isolation. Instead, it’s a starting point in a long-term effort to create a favourable environment for employing laid-off workers and developing small businesses.”
A New Outlook and a Renewed Dedication to Promoting Employment

As we implemented the project, we identified the difficulties faced by micro-entrepreneurs and what they needed in order to tackle the problems. Before, I simply assumed it would be enough for the government to put preferential policies in place if it wanted to foster small businesses, but I came to understand how inadequate tax measures alone were. To stimulate the creation of micro-enterprises much more had to be done, Gao said. “Project changed my old top-down approach to employment promotion. Now I work closely with laid-off workers and try to look at things from their angle when I make decisions. I always bear in mind that a successful policy should meet the needs of the people targeted.”

The PEP project often organises training workshops to give project officials a chance to reflect on domestic and international experience. Participating officials have thereby gained new insight into employment promotion. Also, as they have carried on project activities, officials have also learnt a good deal about business management, finance, law, and project management. They have acquired new skill in promoting employment. “The project changed my old top-down approach to employment promotion. Now I work closely with laid-off workers and try to look at things from their angle when I make decisions. I always bear in mind that a successful policy should meet the needs of the people targeted.”

The PEP project often organises training workshops to give project officials a chance to reflect on domestic and international experience. Participating officials have thereby gained new insight into employment promotion. Also, as they have carried on project activities, officials have also learnt a good deal about business management, finance, law, and project management. They have acquired new skill in promoting employment. ‘The project changed my old top-down approach to employment promotion. Now I work closely with laid-off workers and try to look at things from their angle when I make decisions. I always bear in mind that a successful policy should meet the needs of the people targeted.’

PEP also enhanced project officials’ ability to coordinate and cooperate with other agencies. ‘As we implemented the project, we realised that employment promotion efforts couldn’t be done by the
Employment Bureau alone. We needed support and cooperation from other government departments, Gao said. ‘Following the suggestions in the project manual, we set up an advisory committee with members from other government departments. By getting involved in project activities, they acquired a new sensitivity to employment promotion and became more committed to supporting our work to the full.’ This was also the first time that a government agency had established a partnership with a commercial institution - a bank. ‘Working with a commercial institution with radically different goals, values and culture is not without its challenges. We had quite a time adjusting in order to work together effectively. But I have learnt a lot from the people working in the commercial institution,’ Gao admitted.

‘Another important effect of the project is that I now get greater satisfaction from my job,’ Gao said. ‘In the old days I didn’t see the value in my job; I was so caught up in day-to-day affairs. But now I’ve seen so many laid-off workers benefiting from the project, breaking out of their frustration and finally making some money. I really feel that my efforts are worthwhile and it’s easier for me to throw myself into the job.’

And the growth in Gao’s professional ability and his improved attitude to his work have not gone unnoticed. Early this year he was promoted to division director. ‘By working with the project, I have widened my vision, become better at my job, advanced in my career and started to enjoy my work more. In this sense, I’m a beneficiary of the project too,’ Gao said.
A Home for Business Starters
包头市的创业者之家
A Home for Business Starters

Business starters in Baotou have established an association through which they support each other’s ventures and share the joys and frustrations of starting a business. The association also plays a bridging role between the local government and micro-entrepreneurs. It raises the concerns of micro-entrepreneurs over the policy environment for micro-business development, while spreading word of new government policies down to micro-entrepreneurs. 'When disadvantaged people pull together, we can create powerful synergies. We are no longer disadvantaged.'

It didn’t occur to the founders of the Baotou Business Starters’ Association that the association would play an important role in the lives of members. ‘When the first SYB training course was finished, all the trainees felt that we had so much in common and so much to share,’ Yu Fuqiang, vice president of the association, recalled. ‘It was just before the Chinese Spring Festival, so we organised a New Year’s Party.

SYB trainees were invited to the gathering, where everyone talked about their business start-ups and presented performances. When the party ended with a chorus of Starting A New Life and To Be Friends Forever, they felt reluctant to part. So it was decided to set up a club that would give SYB trainees a chance to get together regularly.

When Yu and his friends mentioned their idea to officials of the Baotou Employment Bureau, they got a very positive response. It was even suggested that SYB trainees establish a service organisation to promote the long-term development of micro-enterprises. ‘It was definitely no easy thing to get the association off the ground, but it has been tremendously rewarding,’ Yu declared. ‘In the initial stage of business start-ups, micro-entrepreneurs have to be very focused on their businesses. We didn’t have the luxury of large amounts of time to give to the association. So to get the association going we had to do
A Home for Business Starters

The Baotou Employment Bureau gave micro-entrepreneurs a hand by donating 30,000 yuan in registration capital and helping them to draft a constitution. To help the fledgling association to get off the ground, the bureau appointed its deputy director president of the association to give general guidance, and made a project officer the secretary responsible for liaison between the association and the bureau.

In November 2002 the association registered with the local Civil Affairs Bureau. The response from SYB trainees has been tremendous: 80% of the SYB trainees in the first training course joined the association. The ceremony launching the association was held on 8 November 2002 in conjunction with the 16th Congress of the Communist Party. ‘We did that to show our gratitude to the government and the Party,’ Yu said. ‘We also wanted to express our determination to start our own businesses and thereby contribute to the re-employment of laid-off workers.’ After the ceremony a ‘members’ congress’ was held where vice presidents were elected from among the micro-entrepreneurs.

In the beginning, the association was oriented to networking among business starters and assisting the Baotou PEP office with SYB training and Credit Guarantee Fund operations. Members of the association get together regularly to exchange business information and share business solutions. They also find suppliers and customers through the association. For instance, a member of the association who sells ceramic floor tiles refers his customers to another member who runs a cleaning service. A purified-water supplier drew his clientele from the members of the association and now many members have become regular customers. The association also helps members to bundle their products and services. Some of
the business starters have even established business alliances and found franchisees among association members. The association is a place where micro-entrepreneurs share their business joys and frustrations. ‘We come to meet our peers to get things off our chest and then we head home with some good advice and a sense of relief,’ Yu said.

Another mission of the association is to help the Employment Bureau in recruiting SYB candidates, organizing SYB courses, investigating CGF credit applications, and also calling back loans. Members of the association take every opportunity to publicise SYB training. Thus far, over 30% of SYB trainees have been referred to the SYB courses by association members. The association sends 2-3 members to each SYB training course to share their personal experience of starting a new business and to explain the government’s preferential policies for micro-enterprises run by laid-off workers.

‘We also help to evaluate CGF credit applications, as we can use our skills and sources of information to check the applicants’ credibility and business savvy,’ Yu said. ‘We have a large number of members and if each member does a little, we can share the huge workload of the employment bureau.’ In 2003, the association assigned more than 30 members to assist the employment bureau in investigating over 200 applicants. Following up on loans is also one of the tasks carried out by the association, which regularly sends members to check on borrowers’ business operations and use of loans, and report back to the employment bureau. One or two months prior to due dates, the association sends members to remind borrowers and help them raise money to repay loans. With the cooperation of the association, the first and second batches of loans have been paid back in full. These visits not only ensure a high loan
repayment rate, but also teach new business borrowers how important it is to build a sound credit history.

The association has emerged from its first year with clearly defined goals and an improved organisational structure. In addition to the members’ congress, council and executive council, which have been in place since the inception of the association, four service divisions have been established: for general affairs, rights protection, publicity and business development. The rights protection division safeguards business starters’ rights and makes sure they can make full use of the government’s preferential policies, while the publicity division will soon begin issuing a newsletter to provide helpful information for business starters. The business development division is aimed at assisting business starters to sustain and improve their new enterprises. For instance, when Ye Jiancai, who runs a kindergarten, decided to expand it, he turned to the association for advice. The business development division organised a committee of experienced business owners to visit the kindergarten and evaluate his business operations. The group not only helped Ye to draft an effective business plan, but also found him new premises for his expanding kindergarten. Members of the association were mobilised to provide remodelling material, equipment and cleaning services on credit.

Another example is Hu Lijun, who runs a purified-water supply firm. His business stopped growing after several years of operation. A panel of entrepreneurs and experts advised him to replace his family business management style with a sound employee management system and proper accounting. Taking

Promoting Decent Work through Small Enterprise Development
the panel’s advice, Hu got his business back on track.

Currently, the association not only communicates government policies and information to micro-entrepreneurs, but also relays micro-entrepreneurs’ needs and concerns to the local government. ‘Micro-businesses run by laid-off workers tend to be vulnerable to market turbulence,’ Yu said. ‘Government support is crucial for the survival of micro-businesses, so we are very eager to promote government policies that favour the development of micro-enterprise.’ Lobbying for a policy environment conducive to micro-business development now has a prominent place on the association’s agenda. Members of the association often get together to discuss government policies, and also to carry out investigations to identify difficulties and obstacles faced by micro-enterprises and propose solutions.

The association currently has over 380 members and 9 territorial offices established in various counties and districts. All the members applaud the direction the association has taken and feel very much committed to the organisation. ‘It is reassuring just to be part of a network of business starters, knowing that we have each other to depend on,’ said one member. ‘When disadvantaged people pull together, we can create powerful synergies. We are no longer disadvantaged.’
Building a Favourable Policy Environment

促进有利于小企业发展的政策环境
Micro-enterprises are recognized as important generators of jobs for laid-off and unemployed workers in China. To facilitate the development of micro-enterprises, the Chinese government has formulated a series of comprehensive policies, including business start-up training, credit guarantee funds and preferential taxation policies. The ILO/PEP project contributed the key ideas embodied in the initial policies.

In recent years China has faced increasing tension in its labour market. In urban areas, ongoing reform of state-owned enterprises (SOEs) and economic structural adjustments have left behind a vast number of laid-off workers. Young graduates joining the army of job seekers are a further pressure on the labour market. Rural migrant workers have also flooded into cities to seek job opportunities. Employment must be created for this huge pool of jobless Chinese.

SOEs, which used to be the principal job generators in China, have found themselves in worsening economic straits. Even revitalised SOEs have a declining ability to absorb workers. In contrast, private small and medium-sized enterprises have developed rapidly in China; they represent 99% of the enterprises in the country and contribute 75% of newly created jobs. Promoting employment and self-employment in the form of small enterprises has become a priority for the Chinese government.

Evidence shows that China is one of the liveliest regions in the world for business start-up activities: 12.3 out of every 100 Chinese open a business of some sort. Unfortunately, the mortality rate of Chinese start-ups is double the world average. Many factors contribute to this high failure rate, but much of the blame must go to poorly thought-out business ideas, poor management, credit bottlenecks and the lack...
Building a Favourable Policy Environment

of back-up services for small businesses. In China a large number of small enterprises are survival-oriented businesses - in other words, each exists to secure livelihood for a single family. The business starters have typically had no systematic training in entrepreneurship and benefit from no advisory service, either of which could help them to turn mere enthusiasm for a business start-up into rational action. Shortage of equity financing is another major barrier to the growth of small businesses. Without proper guidance and assistance, many small entrepreneurs are left to grope their way through difficulties.

To facilitate small-business development, the Chinese government pays great attention to the establishment of appropriate services. In 1998, the Ministry of Labour and Social Security started an experimental project to provide entrepreneurial training. As there was no Chinese precedent in China to follow, the three project cities had to start from scratch, looking to international experience for guidance. It was in this context that the ILO/PEP project came to China in 2001. The project aims to create jobs for laid-off and unemployed workers through small business development by providing a package of services, including business start-up training, credit guarantee service and follow-up technical support. For the past three years, project experience in entrepreneurship training and credit guarantee funds has contributed to establishing a framework for national employment policies and to solving technical problems encountered in carrying out those policies.

PEP introduced a modified version of the Vietnamese SYB training programme into China. The Start Your Business (SYB) training programme offers a systematic model of entrepreneurship training, ranging from screening of applicants, selection of trainers, and preparing and conducting SYB courses to training...
in workshop assessment and reporting. After local adaptation and initial efforts with trainers and trainees, the programme gradually reached maturity. Within 3 years of its launching in 2001, the SYB training programme had taken China by storm. Convinced by the programme’s record in entrepreneurship training, the National Re-employment Conference convened in September 2002 made entrepreneurship training the key to re-employment of laid-off and unemployed workers. Since then, business start-up training has become a crucial component of China’s re-employment policies. In the wake of the conference, the State Council enacted the **Circular on Further Promoting Re-employment of Laid-off and Unemployed Workers**, prompting labour departments and relevant agencies to provide business start-up training to laid-off and unemployed workers. In October 2002, the Ministry of Labour and Social Security held a National Business Start-up Training Workshop in Shenzhen with PEP sponsorship to spread awareness of the project’s record of achievement to other cities in China. That same month, PEP established a National SYB Training of Trainers (TOT) programme in Shanghai in order to educate SYB trainers from non-project areas and other social partner organisations. In December 2002, the Ministry of Labour and Social Security issued its **Programme to Strengthening Vocational Training and Enhance Employability**, laying out a hold plan to expand SYB training to 100 cities all over the country. In 2003, making reference to the project’s technical experience, the Ministry of Labour and Social Security issued the **Circular on Further Promoting Re-employment Training and Business Start-up Training**, establishing criteria for identifying SYB training providers and strengthening their administration. In line with PEP experience, the circular reaffirms the importance of providing a package of services to business starters, ranging from SYB training, access to micro-credit, tax breaks and follow-up support. In 2003 two SYB distance learning
programmes were developed for broadcast by satellite, one to laid-off workers in 11 cities of western China, the other to new graduates of vocational colleges. In 2004 the Ministry of Labour and Social Security together with the Ministry of Education issued the Circular on Introducing SYB Training in Certain Institutions of Higher Education and started a pilot programme in ten institutions of higher education to provide SYB training to university students.

Another component of the PEP project, a credit guarantee fund, addresses the credit bottlenecks encountered by micro-entrepreneurs. According to the Chinese Commercial Bank Loan Management Regulation and Guarantee Law, banks must make sure that their loans are secured by adequate collateral and/or guarantees before extending loans. Small businesses characterised by low registered capital, or small-scale or insufficient collateral, though they may be profitable and reputable, find it difficult to get loans from commercial banks. To ease small businesses’ access to credit, PEP has developed credit guarantee services and designed a manual for credit guarantee fund operations. Since the project CGF was one of the earliest initiatives in this area, project experience was the source of the initial ideas reflected in the new national policies regarding credit guarantee funds.

The State Council Circular on Further Promoting Re-employment of Laid-off and Unemployed Workers, formulated in the period after of the National Re-employment Conference in 2002, stipulates that all cities should set up credit guarantee funds for laid-off and unemployed workers under local employment bureaux with financial support from the local government budget. To help in implementing these measures, the Ministry of Labour and Social Security, along with other relevant agencies, including the People’s Bank of China.
of China, the Ministry of Finance and the former Commission of Trade and Economy, issued Guidelines for the Management of Small Credit Guarantee Funds for Laid-off and Unemployed Workers, stipulating targets for credit guarantee service, leverage rates, loan application procedures, loan periods and appropriate usage of loans. Mr. Li Zhanwu, one of the main drafters of the circular, was the national project coordinator for the PEP project. He incorporated much project experience into the policy paper. In 2003 the government-sponsored guarantee schemes were launched into operation in line with the Guidelines. The project pilot cities, which are seen as national models for the operation of CGF schemes, are frequently invited to explain their experience in other cities of their respective provinces. They also receive numerous study tours from other provinces. Last year, Jilin alone hosted over 20 such missions.

PEP’s success in combining SYB training and credit guarantee service has drawn the attention of the central government. In 2004 the People’s Bank of China, the Ministry of Finance and the Ministry of Labour and Social Security promulgated the Circular on Further Promoting Small Credit Guarantees for Laid-off Workers, which prescribes further simplification of guarantee and loan procedures. According to the circular, local credit guarantee funds are allowed to lower the threshold of counter-guarantees for those who have successfully completed entrepreneurship training or have good credit records.

In 2003, the State Council issued a Circular on Facilitating Re-employment, which reiterates the importance of package services for small businesses, including business start-up training, access to credit, follow-up support, and reduced taxes and administrative fees. China has now created a policy environment conducive to small-business development. Project officials are proud that PEP is one of the principal pioneers in
带来创业培训和信用担保基金到中国，并为重要的政府政策提供了原型。

实现创业 走向成功

推动再就业工作的通知》，再次强调了这个模式在再就业工作中的重要性。通过这些政策的出台，有利于小企业发展的政策框架在中国已经基本建立起来。项目官员们自豪地说，项目是这个模式的首创者和实践者，项目经验为国家积极就业政策的制定和实施提供了重要的借鉴作用。

促进有利于小企业发展的政策环境

Building a Favourable Policy Environment

bringing entrepreneurship training and credit guarantee funds to China and that it has provided the prototypes for important government policies.
SYB Helped Me to Build a Successful Business

SYB 帮助我创业成功
Starting one’s own business is an exciting experience - but also a nerve-racking one. Few new entrepreneurs are immune to butterflies in the stomach. Yang Weijie, a 52-year-old in the city of Jilin in northeastern China’s Jilin province, was lucky to find the right training course, one that guided him through the business start-up maze. ‘Quite honestly, I think I would have been clueless without SYB training.’

Since its inception in late 2001, Start Your Business (SYB) training has taken China by storm. Enter the words ‘SYB training’ into the popular search engine Google and you will find over 10,000 news items about it. SYB training draws in laid-off workers, young students and even people serving terms in prison. Why has SYB gained such popularity so quickly? Yang Weijie’s story provides part of the answer.

Yang Weijie was a lathe operator in a chemical factory before he was made redundant together with more than 10,000 of his peers in 2000. ‘I was laid off primarily because I was nearly 50 and the factory management preferred to keep younger workers,’ Yang said. ‘I didn’t really feel sad, since it’s common for employers to sack aging employees in company shake-ups. But I was worried about my future, because that very practice meant I couldn’t expect to find a job in other companies.’ Thus the only way forward for Yang was to open his own business.

‘Money was not the primary problem, as I had received 50,000 yuan in severance pay, which was adequate for a start-up. The hardest part was finding business opportunities,’ Yang recalled. The first thing that occurred to him was to take driving lessons and become a taxi driver. But after checking around, he concluded that the taxi market was saturated. He also thought of opening a restaurant or a public bath, as he saw that others running such businesses were doing well. But not sure that he could manage such
a business, he let the idea drop. It also occurred to him to take advantages of his work experience by setting up a small chemical factory. But he decided the idea was unrealistic, since it would have required a huge initial investment.

Desperately searching the media for business opportunities, Yang in 2003 happened on a newspaper article about an internationally supported project that was offering management training to laid-off workers. ‘Signing up for SYB training was one of the wisest decisions I’ve ever made,’ Yang recalled later.

Many people who want to start a business have the same questions: Am I capable of running a business? Where to start? How to go about it? SYB training is designed specifically to help business starters to answer these questions. ‘The SYB training consisted of ten steps,’ Yang said. ‘The first two steps were called business awareness training. It helped me decide whether I possessed the ability and conditions to start a business. It also taught me how to come up with a business idea. The second part guided me through the whole process of starting a business: appraising the market, recruiting and managing employees, selection of a legal form, the legal environment, calculating how much start-up capital I would need, making a profit plan, judging viability, and on to actually getting the business started. For each step, we had to take part in simulation exercises and do calculations ourselves. By the time we got to the last step, we were able to decide whether our business ideas were viable or not. Another merit of the SYB training is the story of a business starter that runs through the SYB book. You could actually use it as a guide while starting your own business.’
The first thing Yang learnt from his SYB training was to envision the risks in a business start-up soberly and take a positive attitude toward difficulties. ‘If I hadn’t attended the SYB course, I would have panicked the moment my new business ran into trouble,’ Yang said. ‘Now I understand how normal it is to have difficulties in any business operation. Any obstacle can begin to seem overwhelming. The most important thing is to remain calm and confident. Then you try to find solutions.’

Before taking the SYB course, Yang had simply assumed that he would make money if he worked hard enough. He could work hard - but he didn’t know how to work well. ‘Now I understand how many things are involved in running a business,’ Yang said. He got to put his training to use as soon as the course was over. He heard that the Baotou Industrial Vocational School was to contract out the school canteens. Using the know-how he acquired in the SYB course, he carried out a detailed investigation and put together a business plan.

‘Pricing is the heart of business operations. I had learnt several ways of pricing: checking the competition, calculating costs, and also checking what customers were willing to pay,’ Yang explained. ‘I went to many school and university canteens in Jilin to check out their prices. But I didn’t forget to ask my potential customers, as I had learnt in the SYB course. Most of the students in the school came from rural areas and the price of the food supplied in other schools was too high for them. So I decided to make mine a bit lower.’ How to make a profit, though, while charging less? Yang understood that the only way was to lower the costs of raw materials. Instead of going to markets in city areas, he went to vegetable producers directly. He also needed to obtain equipment at the lowest possible price; he checked with at least three
dealers in each kind of equipment and selected the best offer. ‘This approach sounds so simple, but it would have never occurred to me before the SYB training,’ Yang said.

Yang also did a SWOT analysis (strengths, weaknesses, opportunities and threats) of his potential business. He found out that the vocational school offered marketable skills and jobs to students and therefore the number of students was expanding. That was an opportunity for him. However, he also noted that students went home on holiday twice a year, and during those periods he would have no income, only the expenses involved in maintaining the canteens. To balance out the risks, he included in the business plan a proposal to contract for the small shops in the school, which would bring a more stable income throughout the year.

Yang’s business plan won the approval of the school authorities; he won the contract, beating out 30 or more competitors. When he opened his business in October 2003, he felt even more deeply felt how helpful the SYB training was. Calculation of sales and costs is the most difficult but also the most useful part of SYB training. It helps a business owner to keep track of his business operations, enabling him to detect flaws and take appropriate corrective measures. ‘Before taking the SYB course, I had never kept detailed books or made costs/sales projections when I helped a friend of mine to run a restaurant. I only recorded major expenditures,’ Yang said. ‘Now I plan my cash flow and keep a detailed account book. Once when I looked at my account book, I noticed that my water and electricity bills were soaring. Then I managed to identify the reason and took action to reduce the bills. This saved me nearly 1,000 yuan a month.’
The SYB course also taught Yang that to make his business a success he needs to know his competitors. Sometimes he stands at a distance, watching customers in a competitor’s canteen. At times he also buys food from rival canteens to check the prices and quality of the food sold there. Then he adjusts the service in his canteens.

The SYB course gave Yang a new business plan - and more. ‘I made a feasibility study for a small farm to raise vegetables and pigs. This will increase the competitiveness of my business by further lowering the cost of materials,’ Yang said. ‘When I was starting my business, the SYB training helped me to think about my competitors and learn from their experiences. This has been crucial for my success.’
own business, my only motive was to make a living, but now the SYB course has given me a new frame of mind. I have become more confident, more aspiring.’ Yang plans to set up a bath in the school so that students don’t have to take a bus to have a bath during weekends.

‘I think the SYB class also gave me a much greater awareness of how useful it is to interact and network with other business owners,’ Yang said. After the training course, Yang joined the Jilin Business Starters’ Association, composed of former SYB trainees and current business owners. Association members share business information and trade notes on how to run businesses more efficiently. A member of the association helped Yang to find cheap construction material for use in remodeling his canteens.

‘Of course, when I have trouble, I always ask SYB trainers for help,’ Yang said. ‘They call me at times to see whether I’ve having any problems with my business. It’s a relief to know they are there ready to help. My business is like a small boat at sea. SYB has not only helped me to chart the right course, but has also convoyed my boat so that it can safely sail to success.’
Shortening the Route to Micro-Credit
Shortening the Route to Micro-Credit

Is small credit accessible to start-ups created by laid-off workers? To this question micro-entrepreneurs in the city of Zhangjiakou, Hebei, would respond that it is not difficult at all to take out a loan, provided you have drawn up a good business plan. In 2002, the Yuanda Credit Guarantee Centre for Urban Employment was established in Zhangjiakou as an independent legal entity operating on commercial principles. In 2002, when Zhang Li borrowed 50,000 yuan to invest in her dairy farm, it took her a month to obtain the loan; in 2004, another laid-off worker, Shi Shuqing, spent just one week going through the loan procedure. She put the money into her mobile phone shop and now her business is up and running. ‘We are constantly trying to simplify the procedure for obtaining loans,’ said Hao Yajun, a PEP project officer in Zhangjiakou.

Evidence shows that shortage of capital is one of the major stumbling blocks in the way of micro-enterprise development. Many small businesses are denied access to credit due to their lack of guarantees and collateral normally accepted by financial institutions. This is particularly the case with start-ups created by laid-off workers. To ease micro-entrepreneurs’ access to loans, the ILO has initiated a pilot project exploring a new model for granting credit guarantee funds. Constant efforts are made by local project offices to simplify the CGF-backed loan application procedure.

At the beginning of the project, the ILO/PEP project office conducted extensive research missions and negotiations with cooperating financial institutions. In line with the findings and the existing legal provisions, a credit guarantee fund operation manual was drawn up to guide local project offices in conducting credit guarantee activities. The operation manual outlines four steps that small borrowers must go through in order to obtain loans. The prerequisite for applying for loans is attending an SYB training course. After the course, the applicant must make a feasibility study of his/her business and...
submit a business plan to the SYB trainer. If this is approved, the applicant is referred to the local PEP project office. The second step involves a pre-loan investigation by the local project office. The project office is responsible for verifying the authenticity of information provided by the applicant and investigating the feasibility of the business plan as well as the credit-worthiness of the applicant. Once approved, the application materials are forwarded to the CGF.

The third step concerns CGF operations. CFG staff are also responsible for screening the credit application, but the focus of this step is verifying the counter-guarantee provided by the borrower. Deposits, securities, real estate and equipment are accepted as counter-guarantees. The value of the real estate and equipment to be used as counter-guarantees must be confirmed by the designated government institutions. A counter-guarantee contract should be signed before the CGF and the applicant conclude a loan guarantee contract. The real-estate mortgage promissory note should be registered with the local Real-Estate Administration Bureau, while any equipment used as collateral has to be registered with the local Industry and Commerce Bureau. The guarantee contract between CGF and applicant must be notarised in designated government agencies for it to be legally effective under Chinese law. At the end of this step, the CFG issues a guarantee letter to the partner bank. Finally, the bank screens the loan request and concludes a loan contract with the borrower. It normally takes 5 days for the bank to complete the procedure and issue the loan to the borrower.

"After the first batches of loans were made to small businesses, we investigated the time needed to..."
complete the procedure,’ Hao Yanjun said. ‘We found that the time ranged from two weeks to two months. The major barriers preventing quick access to credit were the counter-guarantee arrangements, including the registration of real estate and equipment used as counter-guarantees, the difficulty of finding counter-guarantees, and the time needed to get the guarantee contract notarised.’

‘Laid-off workers were always telling us that they’d been out of work for years and therefore had nothing to put up as a counter-guarantee. Since this project is being implemented by government agencies, we were worried about the possibility of incurring the laid-off workers’ anger if the officials were seen as being unresponsive to their needs. So we kept on questioning the need for the counter-guarantee requirement,’ Hao recalled. ‘However, after lots of discussion we decided to maintain the requirement, for three reasons: First, small credit operations entail heightened risk due to the uncertain fate of small businesses and the high level of transaction costs. Normally financial institutions should share the risk with CGFs, but at present our cooperating bank is not willing to take on any risk. As a result, our CGF has to assume full liability for the losses. That being the case, in order to sustain the ability of the CGF to enable more people to get access to loans we must request counter-guarantees. That way, in case of failure to repay a loan, we can use counter-guarantees to cover our losses. Second, we want to avoid any misunderstanding of the role of the CGF. By requesting counter-guarantees, we send a clear message to the public that the CGF is not a charity program for laid-off people, but rather a commercially operated fund that provides guarantees for profitable and creditworthy small businesses founded by laid-off workers.’
Although the request for counter-guarantees was kept in place, Hao and his colleagues continued to ponder which forms of counter-guarantee were most convenient for laid-off workers. Aware of the experience of the Jilin CGF, they decided to accept the salaries of public servants as counter-guarantees. This has proved a relatively easy way for laid-off workers to provide counter-guarantees. So far up to 60% of loans have been extended with third-party personal guarantees.

Another issue Hao and his colleagues addressed were the formalities for registering counter-guarantee contracts. ‘It takes time and money to go through those formalities,’ Hao said, ‘but the formalities do make the counter-guarantee contact meaningful. Otherwise, the possibility of recovering loans in default would be tiny. But there is still room for improvement.’

The project office worked with the local Industry and Commerce Bureau and Real-Estate Administration Bureau to facilitate the registration process. ‘We did it in a clever way,’ Hao smiled. ‘We invited the two bureaux to participate in the project advisory committee. Exposing them to project activities enhanced their sensitivity and commitment to the re-employment of laid-off workers. As a result, the two bureaux have sped up the registration process for laid-off workers and decided not to charge laid-off workers for registration. Later the municipal government instituted a policy consolidating the exemptions from administrative fees.’

Next, the project office introduced competition among notary's offices. At first, CGF staff and applicants had their guarantee contracts notarised in the Municipal Notary's Office, which is located near the CGF.
In their efforts, the project office contacted another notary’s office located on the outskirts of the city. To compete with the Municipal Notary’s Office, the other office promised to provide faster notary service. ‘Of course, we have coordinated with the notary’s office so that laid-off workers pay a lower fee.’ Hao observed.

As a result of these efforts, the time needed to complete the loan application process has been shortened to somewhere between one month and one week, depending on how hard it is to find a counter-guarantee. ‘The counter-guarantee is still an issue to be addressed in the future,’ Hao observed.

Hao and his colleagues are considering the feasibility of accepting the wages of workers in ordinary enterprises as counter-guarantees. ‘Many laid-off workers have few contacts with anyone who is not also a laid-off worker, so it’s very difficult for them to find somebody working in a government agency as guarantor,’ Hao said. ‘So now we are thinking of accepting workers in profitable enterprises as guarantors, so long as they have a stable job and income.’ Another form of counter-guarantee they may eventually allow is referral by the community where the loan applicant lives. ‘Since community offices are so near the laid-off workers, they can provide authentic information on the applicant’s credibility. Community offices may also be involved in monitoring the performance of start-ups.’ Also under consideration is use of SYB training as a substitute for counter-guarantees. ‘Improved SYB training and stricter appraisal of applicants’ business plans would be preconditions for this,’ Hao said. ‘To do this we must upgrade the quality of SYB trainers and provide incentives for them to refer suitable loan applicants. This will not be possible unless we have a sufficient number of highly qualified SYB trainers.’

**Promoting Decent Work through Small Enterprise Development**

Shortening the Route to Micro-Credit

office. Now the project office contacted another notary’s office located on the outskirts of the city. To compete with the Municipal Notary’s Office, the other office promised to provide faster notary service. ‘Of course, we have coordinated with the notary’s office so that laid-off workers pay a lower fee.’

As a result of these efforts, the time needed to complete the loan application process has been shortened to somewhere between one month and one week, depending on how hard it is to find a counter-guarantee. ‘The counter-guarantee is still an issue to be addressed in the future,’ Hao observed.

Hao and his colleagues are considering the feasibility of accepting the wages of workers in ordinary enterprises as counter-guarantees. ‘Many laid-off workers have few contacts with anyone who is not also a laid-off worker, so it’s very difficult for them to find somebody working in a government agency as guarantor,’ Hao said. ‘So now we are thinking of accepting workers in profitable enterprises as guarantors, so long as they have a stable job and income.’ Another form of counter-guarantee they may eventually allow is referral by the community where the loan applicant lives. ‘Since community offices are so near the laid-off workers, they can provide authentic information on the applicant’s credibility. Community offices may also be involved in monitoring the performance of start-ups.’ Also under consideration is use of SYB training as a substitute for counter-guarantees. ‘Improved SYB training and stricter appraisal of applicants’ business plans would be preconditions for this,’ Hao said. ‘To do this we must upgrade the quality of SYB trainers and provide incentives for them to refer suitable loan applicants. This will not be possible unless we have a sufficient number of highly qualified SYB trainers.’
Since all the efforts to date have been targeted at the counter-guarantee arrangements, the bank’s internal loan screening procedures have been left unchanged. ‘Banks are commercial institutions and therefore prefer large-scale lending to small loans, because large-scale lending brings in more revenue with much less effort. Also, the number of loans in default is a major factor in evaluating the performance of bank staff, so naturally bankers are wary of lending money to small business start-ups. For these reasons, banks are reluctant to get involved in small loan operations, even though the CGF shares a lot of the work of screening loans and covers 100% of losses,’ Hao said. ‘Now the situation will be turned around completely. The municipal government has decided to give incentives to banks by depositing the social insurance fund in banks that make loans to businesses created by laid-off workers. It is a huge fund, involving billions of yuan. So banks are suddenly very eager to work with us. But now we want to set conditions, such as shortening the process for small borrowers. Of course, the final agreements we work out will be acceptable to both sides.’

The Zhangjiakou project office has resolved the tension between the needs for simplified loan application procedures and CGF sustainability. Laid-off workers in the city of Zhangjiakou can expect even faster credit services in the near future. And additional micro-enterprises will benefit from a sustainable CGF scheme.
PEP Has Changed My Life for the Better

PEP 项目改变了我的生活
Being laid off can be a traumatic experience, as it frequently entails the loss of both livelihood and self-esteem. However, Zhang Li, a 42-year-old woman in the city of Zhangjiakou, Hebei, has emerged from the bitter experience and become a successful entrepreneur with assistance from the PEP project. She now sees helping others as the best of expressing her gratitude for the project. ‘I often wonder what direction my life would have taken if I hadn’t been laid off from my construction job and then benefited from PEP.’

Dressed simply and wearing light make-up, Zhang Li looks no different from many other women of her age. The only difference is in her experience: 14 years after being laid off from a collectively-owned enterprise, Zhang Li now owns a dairy farm and has assets worth nearly 2 million yuan (roughly US$250,000).

Before she was laid off without pay in 1989, Zhang Li had worked as a manual labourer for a construction company in the city of Zhangjiakou, in northern China’s Hebei province. Zhang Li went to great lengths to find a job, but in the end she had to give up. How could an unskilled woman with a small child find a job in an over-supplied labour market? Between her husband’s wages and her 60-yuan monthly living allowance, Zhang’s family could barely make ends meet. Then in 1990 her husband was injured at work and had to take a lower-paid job. The family income plummeted. But Zhang Li didn’t sink into depression: ‘Life doesn’t believe in tears,’ she recalled. ‘I felt that I had to do something, because my child had to eat.’

Taking advantage of the fact that her mother-in-law is a Muslim and their family has a lot of Muslim friends, Zhang Li first set up a butcher shop to sell beef and lamb. She did everything on her own: buy cattle and sheep from mountain villages, slaughtered the animals and sold the meat. Her unrelenting
hard work paid off: business was gradually picking up and she put aside some savings. Not satisfied with a small butcher shop, Zhang Li looked for new business opportunities. And the chance came in 1996, when the biggest dairy farm in the city of Zhangjiakou closed. Convinced that the demand for milk would go up with the rise in living standards, Zhang Li determined to get into the dairy business with the money she had earned from the butcher shop. It never occurred to her that management skills were necessary in order to run a farm. She simply assumed that she would make money so long as her cows were healthy and able to produce milk. Unfortunately, with Zhang Li's lack of management skills and technical know-how, business was poor; in two years the farm had absorbed all the money they had to invest, without showing a profit. But Zhang Li didn't give up. The following year she bought some prime dairy cows with loans from friends. To increase milk sales, she announced that anyone buying contaminated or spoilt milk from her farm would be compensated at a hundred times the price of the bad milk. Thanks to Zhang's hard work and ingenuity, the business survived and she began to make a profit. Still, her lack of management skills meant that the farm had constant trouble with its cash flow and other operational problems as well. Zhang Li's husband succumbed to the stress, dying in 2001.

But Zhang Li's trials and tribulations were not over yet. Creditors came to take back the money they had lent to Zhang Li, doubting that a lone woman could sustain a business. To maintain her credibility, Zhang Li decided to sell her adult cows to repay the loans. She was then left with calves, which would not bring in any income and required continuous inputs in the short term. Without cash to pay workers' salaries, Zhang Li had to let them go and shoulder the entire workload, formerly done by six people. She
got up at 6 o’clock in the morning and went to bed at 11 o’clock at night. She gritted her teeth and carried on in the hope that her business would take a turn for the better when the calves matured. Unfortunately her situation deteriorated further when the hay which she had stored was set on fire by a careless passerby. ‘You can’t imagine how desperate I was!’ she recalled. ‘Luckily, PEP came to my rescue.’

‘It was a friend of mine who read about PEP in the newspaper. When I was told the project was offering loans to laid-off workers, I couldn’t believe my ears. It sounded like a dream come true for someone who had been struggling for so long.’ Zhang Li said. Hoping against hope, she showed up at the Employment Bureau in October 2002 and was told that she would have to take a training course before applying for a loan. ‘The only thing that drove me to take the course was the prospect of a loan, so I urged a project official to arrange a course for me right away so that I could get that loan as soon as possible.’ Once she started her SYB training, her thinking changed completely. ‘The course was so simple, really practical and useful. So I quickly got hooked on it,’ Zhang Li said. ‘It shed light on all sorts of things that had been puzzling me for a long time.’ Her only regret was that she hadn’t found out about SYB training earlier. ‘Our business would have grown with fewer twists and turns and less of that awful tension. Maybe my husband would be alive today if we had gotten SYB training earlier.’

As Zhang Li is the first to admit, she has learnt a lot from the SYB course. ‘The main thing I got out of the course was how to make a profit plan. Before I had never made a real calculation of costs and profits. I just followed the rule of thumb and thought of any money left in my pocket as profit.’

PEP Has Changed My Life for the Better

Promoting Decent Work through Small Enterprise Development
Zhang Li now understands the importance of good bookkeeping. She has hired a professional accountant to help her reckon costs and determine prices. It had never occurred to her to draw up a plan of expenditures until she took the SYB course. Now she has a clear idea of where her money goes: 50% for fodder, 30% for salaries and the other 20% for maintaining and expanding her facilities. Another important lesson she learnt from the SYB course is how to deal with her employees. Back when she thought of her employees as dependent on her for their wages, she used to boss them around in an arbitrary manner. Now she has woken up to the fact that a business owner and her employees have a ‘community of interests’ and that a business gets more out of satisfied workers. On her farm the staff are now treated like family members. In return, her employees see the farm in some sense as ‘their’ business and pour their energy into it.

'Before the SYB course, I bustled around with my business but I didn’t know where to focus my energy,’ Zhang Li said. 'Now with the know-how I got from the SYB course, I have a much clearer idea of how to run things.' She made a detailed plan to improve her dairy farm, securing a 50,000-yuan loan guaranteed by the project. Her business finally took off. In November 2004, the value of her dairy farm was put at 2 million yuan, a six-fold increase as compared with 2000.

'How To Start Your Business is such a magical book that every time I read it I get something new out of it,’ Zhang Li said. 'When I have free time, I read the book again and again, and I ponder over what the SYB trainer said.' The SYB training has made Zhang Li realise the importance of knowledge and fired her with a desire to learn more. Now she eagerly reads books on various subjects. Whenever she finds an
interesting book, she wants to share it with her SYB trainers. "I'm so thankful to the project and the Zhangjiakou Employment Bureau. During the ten years after I was laid off, I had such a long hard struggle. It was the project that provided me with training and loans, and those good people are always ready to help me solve problems," Zhang Li said. "The project officials did everything for me without any thought for themselves. So the only thing I can do in return is to help them carry on their work."

True to her commitment, Zhang Li has referred many laid-off workers to SYB training and assisted them in starting up their own businesses. Twelve now raise livestock. She helped them select cows, supplied them with cattle feed on credit and gave them technical support. The bitter experience of being laid off and struggling alone in business has made Zhang Li sympathetic to others in similar predicaments. She has an ambitious plan to help more people by establishing a micro-entrepreneurs' association. She hopes that the association will be a home for laid-off workers who want to start their own businesses.

'I often wonder what would’ve happened to me if there had been no SYB training. I don’t know the answer. Back when I was laid off, I felt so anxious about the future, but now I’m in control of my life. To me, building a better business and helping people are the only return I can offer to all the folks who’ve helped me,' Zhang Li said.
Survive and Thrive

从下岗职工到人大代表
Ups and downs in Wu Quanxi’s career:
1993 Wu loses his SOE job
1995 Does odd jobs on construction sites
1998 Runs a small laundry
1999 In trouble with endless inspections
2001 Receives ‘consumer confidence award’
2002 Receives SYB training
2004 Owns 4 laundries shops and is elected delegate to the District People’s Congress

In downtown Baotou there is a newly opened laundry. The storefront, decorated in red, with flowers and a smiling Santa Claus, creates a festive atmosphere that distinguishes the shop from its neighbours. This is part of Wu Quanxi’s business - his fourth laundry. In the shop the plaques on the wall say something about the reputation of the owner: ‘consumer confidence award’, ‘model laundry business’, ‘re-employment contribution award’. The scene makes it difficult to imagine that once Wu was a laid-off worker with fading self-esteem, someone struggling just to keep food on the table.

In 1993 Wu Quanxi lost his job when the construction company where he worked was shut down. With no time to be depressed, he joined the army of job seekers. He rushed about between construction sites, doing whatever odd jobs came his way. With the construction sector in Baotou was in recession, his wages were often arrears, which made his family’s already skimpy budget even tighter. Wu begins to think of starting his own business. In 1994, Wu and his friends contracted to build a section of railway...
Because they hadn’t looked carefully at the roadbed before launching operations, Wu’s first foray into business left him with nothing but losses. The shock of this business failure was even more devastating than being laid off. ‘I not only lost all our family savings but wound up in debt.’ And money wasn’t the only problem: ‘I lost all confidence in myself.’ Wu recalled. It took him months to recover from the shock. Then he went back to doing temporary jobs as a technician at construction sites while he looked for a way out of the morass.

‘I knew that I couldn’t afford another failure,’ Wu recalled, ‘so I was extremely careful about the business I chose.’ He discovered that improved living standards and the faster pace of life had led to a growing demand for dry cleaning, but there was only one small laundry in the neighborhood where he lived. Wu didn’t rush into the business. After going to the Beijing Pride Dry-Cleaning Corporation to learn the ropes, he conducted experiments on various materials to find which would best suit his needs. When he felt ready to start his business, the first problem he encountered was where to locate it. He wanted to build a small shop in his own courtyard, but first had to obtain permission from the local authorities. When community workers learnt of Wu’s problem, they decided to help him out. With their assistance Wu soon received the permission he needed. He opened his business in December 1997.

Although Wu had prepared himself for various difficulties in the start-up stage, his business took off with a flourish thanks to high market demand and the quality of the services offered. But if his trade was thriving, there was trouble on other fronts. Starting in 1999 he had to contend with endless inspections.

‘For almost two years my business was inspected again and again on various pretexts, all due to complaints...’
from jealous neighbours,' Wu recalled. ‘There were times when I dreaded to hear the phone ring!’ Although Wu’s business survived the inspections, his troubles weren’t over. This time it was the community office that once again came to his rescue. The community office decided to clear Wu’s name once for all by conferring on him a ‘consumer confidence award’. In 2001, the community office had a ceremony in front of Wu’s shop and invited the district director to bestow the award. ‘This amounted to announcing publicly that my business had gained the trust of the local public,’ Wu said. ‘Since then I haven’t had any further trouble.’

At last Wu could keep his mind on his business. With the money he earned from the dry-cleaning operation, he decided to open a restaurant, which seemed likely to be more profitable than a laundry. The restaurant, however, did not do as well as expected, although Wu worked hard to make it a success. ‘Why can I run a successful laundry but not a restaurant?’ Wu asked himself. ‘I was at the end of my wits. Luckily, in 2002 the community office spread the good news that an international project was offering business training.

‘SYB training has given me a lot,’ Wu said. Wu used what he learnt at the SYB course to diagnose his ailing restaurant and came to the shocking conclusion that he was not in a position to run it. ‘I didn’t have the skills or the time to run it right, so I had to hire a manager, and his salary would have absorbed most of my earnings,’ Wu said. ‘Also, the restaurant was located in a residential area, which meant that customers wanted simple food like noodles, so I could expect only meager profits. The sole advantage was that it was in my house, but I could use the space in other ways.’ Wu gave up on the restaurant and
decided to concentrate on the laundry trade.

‘The SYB course is simple and down-to-earth,’ Wu commented. ‘It helps trainees by having them go through the business start-up process step by step. When we finished the ten steps, all done in simulation, we had the ability to come up with a business plan.’ Despite years of running his laundry, this was the first time that Wu had turned a coolly rational eye on his business. He pinpointed flaws in his operations. Before taking the SYB course, Wu had never really thought about what was involved in pricing; he had merely imitated others in determining prices for his services. But today he understands the different approaches to pricing. Now when he sets prices, he uses the mix of the methods he learnt from his SYB trainers. This was also Wu’s first brush with the concept of depreciation of equipment. ‘It had never occurred to me to include depreciation in my costs,’ Wu said. ‘I had never built up a special fund for replacing aging equipment. If it weren’t for the SYB course, I would certainly be running into trouble with money in a few years, when the time comes to update my machines.’

The SYB course also taught Wu that a good entrepreneur cannot ignore his competitors. ‘Before, I just ploughed into the business without caring what my competitors were doing. I had never really thought that I would have competitors. Now I understand that though there are no real competitors in my immediate neighborhood, I’ll certainly be facing some once I expand my business into other areas. Obviously I need to get to know them,’ Wu said. In fact, Wu found out that some of them were offering services at a very low price by washing garments with water but calling what they did ‘dry-cleaning’. Such deception could be ruinous not only to Wu’s business, but also to the whole sector, so Wu decided to
take action. First Wu got the Consumers’ Association to let him explain dry-cleaning to the public as part of the association’s activities for Consumers’ Day (March 15); then he went to shopping centres to give shop assistants a basic notion of the ins and outs of laundering. To protect his brand name, Wu registered it with the local Industrial and Commercial Bureau as an exclusive trademark. These efforts gave him publicity and greater credibility. Wu decided the moment was right to expand his business.

Following the steps in the SYB textbook, Wu drafted a detailed plan of expansion. ‘When I opened my first laundry, I was operating in the dark; now I have a clear idea of how to go about things,’ Wu said. In February 2004, Wu opened his second shop; and then in April, the third; and in October, the fourth. Now Wu has 16 employees, all former laid-off workers from the local community. ‘Since I know how awful it is to lose your livelihood, I want to help people who were as clueless as I was,’ Wu said. Nowadays Wu’s employees no longer have to worry about their livelihood, as they have stable jobs and decent salaries. Workers are also receive a week of paid leave in summer, even though this is not required by China’s labour law.

What truly delights Wu is that in 2004 he was elected to the Kunqu District People’s Congress. ‘It’s a great honor. All I have achieved I owe to hard work, assistance from the community and the PEP project. I’ll do my best to make some sort of return to the community,’ Wu said. ‘Of course, as a delegate from laid-off workers and small entrepreneurs, I’ll speak on their behalf to promote a more favourable environment for small-business development.’
*Community worker* refers to the people working in a community office, which oversees daily matters relating to the residents of the community. The ‘community’ is a new administrative unit below the district level; it takes in areas that used to be administered by multiple ‘neighborhood committees’.
Promoting Safe Working Conditions

安全的劳动条件是小企业发展之本
In China most micro-enterprises are survival-oriented businesses. As keeping a small business afloat is a tough task, micro-entrepreneurs tend to focus on profits. They seldom have the luxury of devoting much money or thought to working conditions. On the other hand, many micro-entrepreneurs went through a harrowing time when they lost their jobs and suffered the indignity of long unemployment, so they are sensitive to the need to provide decent working conditions for their employees, where possible. The PEP project helps micro-entrepreneurs handle this dilemma by offering convenient, cost-effective measures for improving working conditions in their businesses.

In recent years micro-enterprises have received attention for their ability to absorb laid-off workers. At the same time there has been debate over the quality of jobs created by micro-enterprises. It is widely believed that employees in micro-enterprises cannot expect the same standard of working conditions as in larger businesses, given the limited financial means of micro-enterprises. However, a recent PEP training workshop proved that profits and sound working conditions are not in conflict; on the contrary, the latter contribute to business success, and work safety is readily achieved.

Since 2000, the PEP project has dedicated itself to promoting employment in China through small-business development. As a project of the International Labour Organisation, which deems promoting decent work its key mission, PEP has paid consistent attention to the quality of jobs created with project assistance. The Chinese version of the SYB textbook has one chapter dedicated to staff management. In SYB courses trainers also strive to persuade trainees that providing sound working conditions is not only a legal obligation, but a source of competitive advantage.
During implementation of the project, it has been found that most small businesses in China are survival-oriented; micro-entrepreneurs tend to focus on profits, devoting little time or money to working conditions. Yet micro-entrepreneurs know from personal experience what it means to be jobless for a long period, and would like to be able to provide decent working conditions for their employees, most of whom are former laid-off workers. PEP therefore decided to launch a special programme to promote work safety.

As a first step, a training workshop on work safety for small businesses was organised in the city of Baotou, Inner Mongolia, 29-30 September 2004. The workshop was attended by SYB trainers and government officials from 6 project pilot cities. This unique course sparked considerable interest in the benefits of workplace safety.

For SYB trainer Wang Zhiming, it was the training methods used at the workshop that were most impressive. Before attending the workshop, Wang had assumed it would focus on occupational-safety laws and regulations, but he got a surprise: the workshop started with a game. ‘When the workshop began, participants were asked to pass around eggs in a plate. Because the plate was quite slippery and the eggs were rolling around on it, we had to make quite an effort to keep them from falling to the floor as we passed them from person to person. This obviously slowed us down,’ Wang said. ‘Then we were asked to pass round the eggs in a wide-mouth bowl, and this time it was a cinch: we passed the eggs quickly, with no special effort. This simple game was more persuasive than a lecture, as it brought home to everyone that the right tools can save time, increase efficiency, prevent work injuries and thus enhance...’

Promoting Safe Working Conditions

Promoting Decent Work through Small Enterprise Development
Wang was also impressed with the *Handbook on Behaviour in the Workplace* used at the workshop. Unlike textbooks that engage in idle theorising, the handbook is systematic and practical, covering almost all aspects of working conditions in a small business. It provides 46 practical guidelines in 8 areas: materials storage and moving, work surfaces, equipment safety, hazard management, illumination, welfare arrangements, basic work facilities and organisation of production. The checklist offers small-business owners a step-by-step guide to identifying safety problems and dealing with them.

Participants got a chance to try out the checklist before the training sessions started. They were taken to a factory where they were asked to use the checklist to inspect working conditions. They turned up a number of problems: employees' personal belongings were placed next to raw materials; welders were not equipped with safety goggles; switches are not covered; safety signs were not posted clearly; workers did not know how to use fire extinguishers. Some good practices were also identified: work surfaces were the proper height; materials were arranged within operators’ reach; the toilets were clean; different carriers were used for heavy and light articles; ventilation was sound. ‘Using the checklist myself,’ Wang said, ‘I could see that how practical and easy to follow it was, and how suitable for less-educated small-business owners without a lot of time.’

Wang Shuhuai, the owner of the factory, also found the exercise inspiring: ‘I used to think improving working conditions meant more investment. As small businesses like mine are often short on capital, I felt that I could not afford to improve working conditions, even though they were on my mind. Now I

**Promoting Safe Working Conditions**

**Promoting Decent Work through Small Enterprise Development**
Promoting Safe Working Conditions

realised that you can have safe, healthy working conditions just by taking a few simple steps that don't require spending a lot of money.’ Most importantly, the inspection raised Wang’s awareness of work safety and sound working conditions. ‘Small businesses tend to be vulnerable, and work-related injuries can make business operations even more difficult. They can lead to unexpected costs, a fall in employee morale, or even the loss of a valued employee,’ Wang said. ‘So early attention to work safety is the single most effective way to prevent accidents. Before I had never even noticed the potential risks. Now I’m much more alert to health hazards in my factory. In that sense, the inspection was of real benefit to me.

Wang was also pleased that participants had given an overall assessment of working conditions in his factory and offered many practical suggestions. ‘Those suggestions are really valuable for my business,’ Wang declared, ‘I hope that this service will be made available to small businesses on a regular basis.’

The training has not only increased the business owner’s safety awareness, but also enhanced SYB trainers’ sensitivity to the issue. ‘I thought management courses for many years in a vocational training school before joining the SYB programme,’ said Wang. ‘Back then I focused on skills such as bookkeeping, pricing and sales projection, which can be used directly to keep a business going. Later, when we trained laid-off workers in our school, we only taught them technical skills so that they could find new jobs as soon as possible. For instance, trainees in cooking courses were taught how to cook. Things like the storage of raw materials or the arrangement of the work surface were never touched on. Now I realise the benefits of establishing and maintaining a sound work environment. It means greater safety, efficiency, productivity and ultimately profits.’ It has become a habit with Wang to keep an eye on working conditions.
wherever he is. ‘A few days ago, when I went out to a small restaurant for dinner, I noticed that there were vegetables stored around the doorway to the kitchen. Waiters were going through all the time, and they were always in danger of tripping over the vegetables. I also noted some other problems in the restaurant’s layout. So I talked to the owner of the restaurant about these problems and suggested how to fix them. He was grateful for my suggestions, which he said he would try to act on.’

SYB trainers forecast strong demand for work safety services from small businesses. ‘As small businesses get on their feet, simple, low-cost advice on how to improve working conditions will be welcome,’ Wang said, ‘so I’m going to integrate a work safety component into my SYB courses, if possible. Actually, I think it might also be good to include work safety training and advisory services in the project follow-up support programme.’ It was also suggested that Business Starters’ Associations be used as platforms for work safety advisory services after the project ends. SYB trainers expressed the hope that they would receive help from the PEP project in designing work safety training courses and diversified guides for different sectors.
Taking Off with Crippled Legs

身残志坚 勇于创业
Taking Off with Crippled Legs

Liu Jianqiang's life was thrown disastrously out of kilter in 1994 when he was disabled by disease. Frustrated and anxious about his future, he even thought of taking his own life. Eventually he pulled himself together, but in 1998 the firm where he worked went bankrupt. Unwilling to wait for the government to bail him out, Liu decided to start his own business. Now, six years after being laid off, he owns a cleaning services franchise firm with 13 franchisees around the country. He has a new sense of accomplishment and self-esteem: 'My formula for success is confidence and knowledge plus innovative thinking.'

When he lost his job in 1998, Liu Jianqiang never imagined that one day he would be invited to a China Central TV studio to recount his business start-up story for millions of Chinese TV viewers.

Before being laid off, Liu Jianqiang worked for a small firm that provided ancillary services to a large state-owned company in the city of Baotou, Inner Mongolia. In 1988 he was rewarded for his excellent performance by being given an opportunity to receive training at the Inner Mongolian Industrial University. Upon completion of the training, he was promoted to deputy manager. Then, in 1994, a critical illness laid him low. After two years in bed, he could finally stand on his own and shuffle along. However, Liu was transferred to another position, as he was no longer considered able to do the manager's job. Disability and frustration at work left Liu so depressed that he even thought of killing himself. To cheer himself up, he read stories of people who had overcome hardships. When he eventually rebuilt his confidence and girded himself for a new life, the firm where he worked went...
bankrupt. Unwilling to wait for the government to make welfare arrangements, Liu decided to prove his mettle by starting his own business.

What sort of business? It took a lot of legwork for Liu to carry out his market survey. He found out that commercial firms and government agencies increasingly outsourcing their cleaning needs, and well-off households were also tending to hire more outside help with cleaning. He decided to take advantage of this market opportunity. His resolve was strengthened when he heard that cleaning services fall into the category of ‘community services’, which are subject to tax breaks and other preferential policies. However, Liu had to face opposition from his wife and his parents. ‘They were worried about my health. Also, they found it hard to accept that I would go from being a manager to somebody doing cleaning services,’ Liu recalled. ‘I told them there was no disgrace in my earn a living in an honest manner.’ His family was finally convinced.

‘Because I looked forward to an expanding business, I decided to start my firm with high standards by joining a cleaning franchise,’ Liu recalled. ‘Buying a franchise offers a lot of advantages: technical and managerial know-how, the brand name and an established reputation are instantly available. It’s like hatching eggs with a borrowed hen. During the start-up, following the franchisers’ advice would surely be wiser than muddling through on my own.’

Liu Jianqiang travelled to Beijing to visit the Tidynet Cleaning Franchise Company, an Italian-invested cleaning services company. However, he was not received with open arms. ‘When
they saw my crippled leg, they didn’t believe I could run a cleaning business,’ Liu said, ‘but their attitude changed when I showed them my business plan.’ He was granted a licence and set up his own firm in September 2000. However, his business start-up was not smooth sailing.

After 20 days Liu got his first order, worth 5,000 yuan. He was more than happy to accept the order without calculating the costs. When the work was completed, he was disappointed to discover that his balance sheet was in the red. Taking a lesson from this first failure, Liu decided to make a detailed investigation before signing any future cleaning contract. The second order he received was to clean an office building and the workshops of a sweater manufacturer. He checked the sites and measured the workload before signing the contract. Based on his findings, he negotiated with the contractor for a reasonable price. This time Liu succeeded.

In the initial business start-up stage, Liu always worked side by side with his workers despite his disability. He often polished floors because the tool helped him to keep his balance. One day when he received an urgent order to clean a shop, he worked all night long polishing floors. ‘The next day, when the work was finished, I couldn’t walk and had to be carried by my workers. But I felt happy because the client was satisfied with our work,’ Liu recalled. The high quality of the work won Liu’s firm a good reputation with customers. His business started to take off.
Taking Off with Crippled Legs

As Liu’s business was expanding rapidly, he often faced a shortage of capital. Luckily, he heard from a community worker that the PEP project was offering loans to laid-off workers. In December 2000, he took an SYB course organised by the PEP project. “In the beginning, I wasn’t thinking of the course. I just wanted to get through the training in order to obtain the loan,” Liu said, “but later I found that the course was even more useful than the loan: it upgraded my management skills and gave me a new outlook.” Now Liu learnt how to do SWOT (strengths, weaknesses, opportunities and threats) analyses, which helped him avoid risks and turn advantages to good use. Moreover, Liu has applied SWOT analysis to his competitors’ services. He often checks on the quality and prices of his competitors’ services as a reference for his own business. Before attending the SYB course he had never done much bookkeeping. Now realising the importance of bookkeeping, Liu has hired a professional accountant.

With the management know-how acquired from the SYB course and a 100,000-yuan loan obtained with the project guarantee, Liu set about upscaling his business. He considered becoming Tidynet’s agent for the whole Inner Mongolian Autonomous Region, but had to give up the idea because of the expensive licence fee. Building on the good reputation of his business, Liu decided to create his own brand, which would obviate the need to pay expensive licence fees. He decided to maintain technical cooperation with Tidynet so that he could keep up with the latest developments in cleaning services.
In October 2002, a programme director at China Central TV heard about Liu through the PEP project and arranged to interview him. After the half-hour programme was broadcast in prime time, Liu Jianqiang received over 100 calls from around the country, most from laid-off workers. Some of them wanted to join his business, while some others asked for business tips. Encouraged by Liu’s story, a disabled young man in Shandong province travelled a thousand kilometres to Baotou in order to discuss his plan to start a business. Liu not only encouraged him to proceed, but also generously passed on valuable business tips.

Liu carefully selected some laid-off workers to join his franchise. Since he had once been a laid-off worker himself, he decided to offer them a franchise licence with preferential conditions. Franchisees are supplied with technical support, management know-how, equipment and cleaning agents. Franchisees only pay for technical support-no franchise fees. At present, Liu’s firm has 13 franchisees, located in four northern provinces of China. Around 100 people have found jobs in the franchisee firms. Another 80 workers are employed in Liu’s own firm. Most of his 180 employees are former laid-off workers.

Another gain from the SYB course is that Liu has met so many like-minded people. In October 2002, SYB trainees established a Business Starters’ Association, where members trade notes on how to run a firm, share business information and discuss business opportunities. Liu, an enthusiastic member, has been elected vice president. ‘I’m indebted to the people who have helped me in my business start-up,’ Liu said. ‘The only way to make some sort of return is to

Taking Off with Crippled Legs

In October 2002, a programme director at China Central TV heard about Liu through the PEP project and arranged to interview him. After the half-hour programme was broadcast in prime time, Liu Jianqiang received over 100 calls from around the country, most from laid-off workers. Some of them wanted to join his business, while some others asked for business tips. Encouraged by Liu’s story, a disabled young man in Shandong province travelled a thousand kilometres to Baotou in order to discuss his plan to start a business. Liu not only encouraged him to proceed, but also generously passed on valuable business tips.

Liu carefully selected some laid-off workers to join his franchise. Since he had once been a laid-off worker himself, he decided to offer them a franchise licence with preferential conditions. Franchisees are supplied with technical support, management know-how, equipment and cleaning agents. Franchisees only pay for technical support-no franchise fees. At present, Liu’s firm has 13 franchisees, located in four northern provinces of China. Around 100 people have found jobs in the franchisee firms. Another 80 workers are employed in Liu’s own firm. Most of his 180 employees are former laid-off workers.

Another gain from the SYB course is that Liu has met so many like-minded people. In October 2002, SYB trainees established a Business Starters’ Association, where members trade notes on how to run a firm, share business information and discuss business opportunities. Liu, an enthusiastic member, has been elected vice president. ‘I’m indebted to the people who have helped me in my business start-up,’ Liu said. ‘The only way to make some sort of return is to
Taking Off with Crippled Legs

Businesses and customers often feel let down by the chaotic market for cleaning services, but Liu sees great business opportunities in it. He plans to set up a training centre where people can learn cleaning skills and obtain a certificate. He also wants to establish a temporary help agency so that he can hire his trainees out to other cleaning service firms. As his brand gains fame through the training centre and the service provided by his trainees, he means to extend his franchise to other parts of the country. Liu’s plan is truly ambitious, but who can doubt that this determined man will succeed?
A generic tool, but tailored to meet your needs

一个根据你的需求定做的通用工具
If you search for “SYB training” on a Chinese internet search engine, you will hit more than ten thousand websites informing you about the SYB activities in China today. Since the ‘Start Your Business’ training was introduced to China by the ILO/PEP in 2001, the name “SYB” has become familiar to the people who wish to establish their own small businesses. They trust the SYB training as a comprehensive and practical tool in developing their business plans, which reduce the risks in new endeavors and give them confidence to make successful businesses. This story presents a typical example, which outlines how the ILO could transplant its technical instrument into a new environment and adapt it to meet the needs of a recipient country.

Since 1997, the ILO/PEP had operated in the Provinces of Gansu, Hebei and Jiangxi, demonstrating a methodology that combined skills development training and micro-credit for poor farmers to create additional income opportunities. Towards the end of the project in 2000, the Chinese Ministry of Labour and Social Security (MOLSS), the partner of the ILO in the project, came to understand that the similar approach as the project carried out in the rural areas might be useful to address the issue of laid-off workers from state-owned enterprises. Let them create their own businesses and make them self-employed. The Japanese Ministry of Health, Labour and Welfare (MHLW), which provided financial support to the project, agreed that the project might continue to work in China, assuming that the project could develop a sound strategy and instruments to tackle the problem.

At that time, the local governments and SOEs were struggling hard to help laid-off workers in finding new jobs. Having been protected with what is called ‘iron bowl’, which provided SOE workers with everything they needed for living in the planned economy, many of them were not ready to find appropriate
The local governments also helped them by organizing free skills training programmes, which were supposed to enable laid-off workers to gain new employable skills. However, the issue of laid-off workers remained unsolved for a longer period than expected, and the government looked for alternative ways to break through in this stagnant situation.

“Having observed the mismatch between the level of the skills the laid-off workers had and the new job openings in the labour market, short-term skills training courses could hardly help the laid-off workers to find new jobs,” said Satoshi Sasaki, the former Chief Technical Advisor of the ILO/PEP. “Self-employment opportunities may not be created for them in the way we have done in the rural areas,” he thought. Farmers in China have at least a plot of land and basic farming skills, which could be the basis for income generating activities for them. But laid-off workers in the urban areas had no production base like farmers. Only a few of them had business ideas in the first place. If they have, they needed business development services to put the ideas into reality. “We concluded that the high quality business start-up training was the key instrument in the new challenge.” Sasaki recalled. Being part of the ILO, the project had advantage to mobilize technical resources that exist within the organization. The SYB training is a flagship programme of the ILO’s small enterprise development. It has a good reputation in over 70 countries in the world. The network of enterprise experts within the organization makes it possible to introduce the right tools at the right time. “I called Max Iacono, Senior Enterprise Specialist...
David Lamotte 进行了交流。David 向他介绍了 SIYB 项目在越南的实施情况，还给他提供了一套越南版本的 SYB 培训教材，并承诺会为 SYB 培训课程中国版本的改编提供技术支持。

2000 年是 ILO/PEP 的转折期，工作重心从农村转到了城市就业问题。项目在这段期间的重点任务是准备改编教材使之适用于中国。SYB 培训教材中文翻译工作一结束，中国劳动和社会保障部和 ILO 马上组织企业方面的发展专家召开了研讨会对培训教材进行评估。SIYB 越南项目也派了 Mayke Harding 和 Do Thanh Binh 作为专家出席了这次研讨会。“他们是出色的组合。他们不但在改编过程的技术领域给予我们帮助，而且 ILO 和受援国之间融洽合作的示范样板也对我们很有启发。Mayke 讲解了 SYB 培训理念，Binh 则指出了 SYB 培训在越南改编过程中出现的关键问题。”佐佐木先生回忆道。

基于研讨会的讨论结果，直到 2000 年底终于开发出了第一版中国 SYB 培训教材。越南版本中穿插的一对夫妇创办制造销售帽子的小企业故事，在中国版本中被替换成为了一对夫妇创办制造销售旅游纪念品小企业的故事。同时，所有有关法律和注册方面的内容都按照中国的有关法律进行了修改。培训教材中的许多地方都做了改动。但是 SYB 培训的基本理念仍保持了原样。学员参与互动的培训方法作为培训课程的原则被完全保留下来。当 2000 年 12 月在北京举办第一期 SYB 培训教师培训班时，Mayke 再次来到北京帮助 ILO/PEP 项目

A generic tool, but tailored to meet your needs

of the ILO in Bangkok, asking for his help in adapting the SYB in China. He promptly replied, suggesting that the SIYB Project in Vietnam could be a good model for China.” Sasaki said.

In early 2000, Sasaki visited the SIYB project in Hanoi and met with David Lamotte, Chief Technical Adviser of the project at that time. David explained the SIYB operations in Vietnam and provided Sasaki with the Vietnamese version of SYB training materials. He promised to give technical support to China for the adaptation of the SYB training programme.

The year 2000 marked the transitional period for the ILO/PEP, shifting its focus from rural to urban employment issues. During the period, the most important task for the project was to prepare the SYB training materials to adapt it compatible to the Chinese realities. Once the translation of the SYB training materials into Chinese was completed, the MOLSS and the ILO agreed to organize a workshop to review the training materials by a group of Chinese experts on enterprise development. The SIYB Project in Vietnam sent Mayke Harding and Do Thanh Binh as resource persons to this workshop.

“They were excellent combination. They helped us not only in the technical aspects of the adaptation process but also impressed us by showing a good example of collaboration between the ILO and the recipient agency. While Mayke explained the concept of the SYB training, Binh raised the key issues in adapting the SYB training in Vietnam,” Sasaki recalled.

Based on the result of the workshop, the first edition of the SYB training materials in China was developed towards the end of 2000. The story of a couple who started a small business of the production and sales of caps in the Vietnamese version was replaced with a story of a couple who produce souvenir
for tourists in the Chinese version. Also, the legal and registration aspects were totally revised in accordance with the Chinese laws. Many changes were made on the training materials. But still the very concept of the SYB training remained the same. The importance of participatory training method retains fully as the principle of the training programme. When the first training of SYB trainers (TOT) was conducted in Beijing in December 2000, Mayke visited Beijing again and helped the ILO/PEP staff to organize it. Being an ILO project, the advantage is not limited to the sharing of technical resources. The ILO also promotes the exchange of experiences among the people working on the same issues in different countries. In October 2001, a group of officials from China’s local Labour Bureaus and training institutes from the project’s pilot cities as well as the project staff from the MOLSS took a study tour in Vietnam. It was the opportunity for them to see the SIYB project, which was already in the advanced stage. They talked directly to the project staff and SYB trainers in Vietnam. The participants mentioned they could clearly compare the differences of the countries’ situations that have to be taken into account in their own project activities back home.

Once the second phase of the ILO/PEP was officially launched in 2001, the SYB training proved itself as a powerful tool for the promotion of small enterprise development by laid-off workers. The people came to know the name “SYB” through word of mouth in the project’s pilot cities. When the local TV station in Jilin broadcasted a series of programme inviting SYB trainers as the speakers to introduce the SYB training programme, the needs for SYB training became more apparent in the society. It went beyond laid-off workers. The potential market for the SYB training clearly showed the importance of
business development services in China.

From the initial success made by the SYB programme in the ILO/PEP in 2001 to 2003, the MOLSS recognized the strategic importance of the SYB training and business development services in creating job opportunities for laid-off workers and other disadvantaged groups of people. The MOLSS wished the project's coverage be expanded to more cities in China. But the ILO/PEP has limited capacity to cope with the ministry's request in terms of the availability of fund and the project duration. The ILO Beijing Office was keen on realizing the government's request and developing a full SIYB project, which would be capitalized on what the ILO/PEP has achieved. In 2003, Andreas Klemmer, then the Chief Technical Adviser of the SIYB Project in Sri Lanka was invited to prepare the Project Document. It was intended to cover 14 pilot cities and develop advanced training tools to meet the diversified business development training needs. Finally, the SIYB China project was launched in May 2004 with the financial support by the British government.

The ILO is a knowledge-based organization. It has generic instruments like the SIYB programme and the network of technical staff, which adds values to the existing products and maintains high quality of the instruments. They also circulate updated information and supply continuous support services to the constituents who use the instruments. If the project stands alone, such a quality product like the SYB training may take extensive time and cost millions of dollars for development.
Business Starters’ Aid Package

为创业者提供全方位服务
The shortage of start-up capital is one of the major bottlenecks encountered by small businesses. Financial institutions are often reluctant to engage in small credit operations due to the relatively high cost, the inability of small businesses to provide evidence of their credit-worthiness, and the lack of real guarantees and collateral to underwrite the credit risks. To address these constraints and facilitate micro-entrepreneurship, PEP offers the financial leverage of credit access supported by SYB training and a credit guarantee fund. In the city of Jilin, a guarantee fund has been established in association with the SYB training programme. Since its launching in November 2002, the fund has underwritten loans totalling 5.07 million yuan for 128 micro-entrepreneurs - and the repayment rate is 100%.

In recent years micro-enterprises have been popping up like tulips in springtime. However, their mortality rate is quite high: a substantial proportion of small businesses fold within five years of establishment, or even at the start-up stage. There is evidence that many such failures are due to ill-considered business concepts, poor management and lack of access to credit. To overcome the constraints and assist micro-entrepreneurs in sustaining their businesses, Jilin, a PEP pilot city, offers a package service combining business training and credit guarantees.

"In accordance with project guidelines, we established the Jilin Re-employment Credit Guarantee Fund Centre in 2002," said Ma Fucheng, a project official in Jilin. "There are many advantages in offering guarantees as opposed to direct controls. For instance, the guarantee fund can be leveraged to provide more people with access to loans. A guarantee fund also enables small borrowers to develop a credit record that eventually leads to their graduation as mainstream borrowers of bank loans. Most importantly, micro-credit guarantee activities can be carried out within a clear legal framework, since they are regulated..."
by Chinese law. However, it took project officials a lot of work to find a partner bank and hammer out an agreement. In the end we established a partnership with the Jilin Commercial Bank.’

For banks unfamiliar with the small-loan sector, it is extremely difficult and costly to identify potential borrowers and collect the necessary information on their financial needs, and then appraise their business proposals and the competence of their management. This often leads to high operational costs and high risks. The Start Your Business training offered by the project can reduce some of the risks. ‘Management know-how acquired from SYB courses contributes to the viability of the business of the borrower. Since SYB trainers are in close contact with trainees during the ten-day course, they tend to develop a sense of a given trainee’s reliability and probable skill in running a business,’ Ma explained. ‘Consequently, we make SYB training a prerequisite for applying for loans. After completing the SYB training course, each credit applicant is supposed to make a feasibility study of his/her business and submit a business plan to the SYB trainer. The trainer evaluates the plan and then refers it, if approved, to the credit guarantee fund. In addition, SYB trainers are required to follow up on trainees throughout the start-up stage of their business. This yields extra information on the status of the business and the problems faced by the borrower.’

During implementation of the project it also became clear that knowledge of accounting and credit utilisation plays a vital role in ensuring a reasonable acceptance rate after the credit screening by the Credit Guarantee Fund. In response to this need, the Jilin project office decided to incorporate some basic notions regarding accounting and applying for credit into the SYB training programme. The changes
proved to be useful in building awareness of credit matters among potential borrowers and facilitated the loan application process.

‘The CGF Centre is a government operation under the Municipal Employment Bureau and the staff of the CGF Centre are transferred from government agencies. The staff of the CGF centre are also members of the project office.’ Ma said. ‘This ensures stronger links between SYB training and CGF by involving CGF staff in the early stages of credit application screening, which in turn helps shorten the credit application process and reduce transaction costs.’

The Jilin CGF comes from two sources: ILO donations and matching funds from the local government. By the end of 2004, the CGF portfolio in Jilin had reached 3,826,300 yuan. In the first year the multiplier rate was set at 1:1 and after two years of CGF operations a new agreement was reached to increase the leverage rate to 1:3, which means that the project is now able to underwrite a total of 11,478,900 yuan in loans.

‘The CFG in Jilin operates on commercial principles, as it is not a form of relief, but rather a guarantee service to laid-off workers who are capable of running a business,’ An said. Thus guarantees are not provided free of charge: upon signing a guarantee contract the borrower pays a guarantee fee to the CGF at 50% of the bank interest rate. Secondly, loan applicants must provide counter-guarantees. ‘Normally financial institutions should bear a share of risk so that they have an incentive to monitor loans, while CGFs can have lowered risks,’ Ma explained. ‘However, in our case the Commercial Bank doesn’t want to assume any risk at all and as a result the credit guarantee fund has to cover 100% of loan
Business Starters’ Aid Package

losses. To ensure CGF sustainability and build loan repayment discipline among small borrowers, we decided to require counter-guarantees for the full amount of loan to be issued.

At the beginning of CGF operations, only bank deposits, securities, real estate and equipment were accepted as counter-guarantees. Real estate is appraised by the government-designated agency while collateral is registered with government-designated institutions. Securities have to be handed over to the CGF Centre once a guarantee contract has been concluded. However, it quickly became apparent that laid-off workers have few personal assets at their disposal to use as counter-guarantees, and this hindered their access to CGF services. To address these problems, we took the step of allowing third-party guarantees. Now public servants, those working in extensions of the government, and workers from profitable enterprises can all serve as third-party guarantors, so long as they are over 25 years old and have a stable income of more than 1,000 yuan a month.

It is now clear that the third-party guarantee is the most convenient way for small borrowers to provide counter-guarantees. Third-party guarantors are easier to find; formalities involved are a third-party guarantee contract concluded between the guarantor, loan applicant and the CGF Centre. This substantially shortens the loan application process and cuts transaction costs for borrowers. In addition, since the establishment of the Business Starters’ Association in Jilin, members with good credit histories are also allowed to provide counter-guarantees.

After the terms of a guarantee contract are worked out, the applicant is referred to the Jilin Commercial Bank. If the application is approved, a loan of not more than 50,000 yuan will be issued for one year for
use as working capital. The agreement between the CGF and the bank stipulates that if the borrower fails to pay back the loan on time, the CGF will pay instead. The bank can use funds in the CGF account to pay the loan, interest and fine. The CGF is responsible for the recovery of loans in default. Fortunately, this has never happened so far. All the loans underwritten by the CGF have been repaid on time and in full,’ Ma said. ‘Nevertheless, efforts to control risks must not be relaxed. We emphasise training to upgrade the knowledge and skills of the CGF staff. In addition, we have established a staff responsibility mechanism. One person is in charge of each application, from assessment of the initial loan application to final repayment. Another effective way of ensuring loan repayment is to utilise the Business Starters’ Association. Small entrepreneurs are mobilised to support loan application investigations by providing real information on applicants, including the performance of their enterprises and the reliability and competence of the entrepreneurs. The association is also encouraged to make follow-up visits to borrowers to see how well they are performing and identify problems they must contend with.’

The combination of SYB and CGF has proved effective in easing micro-entrepreneurs’ access to bank loans and ensuring loan repayment, as SYB helps train and screen potential micro-entrepreneurs as potential candidates for credit, while the credit guarantee fund offers guarantees as a back-up source of repayment. Since the launching of the CGF in November 2002, the fund has underwritten a total of 5.07 million yuan in loans to 128 micro-enterprises, employing a total of 6,450 workers. So far, all the enterprises have survived their initial difficulties and are now growing healthily.