



Inter-American Development Bank
Social Sector /Social Protection & Health Unit

Youth employment and entrepreneurship programs: a review of 8 best practices

Luisa Mimmi

Washington DC, 17th March, 2009

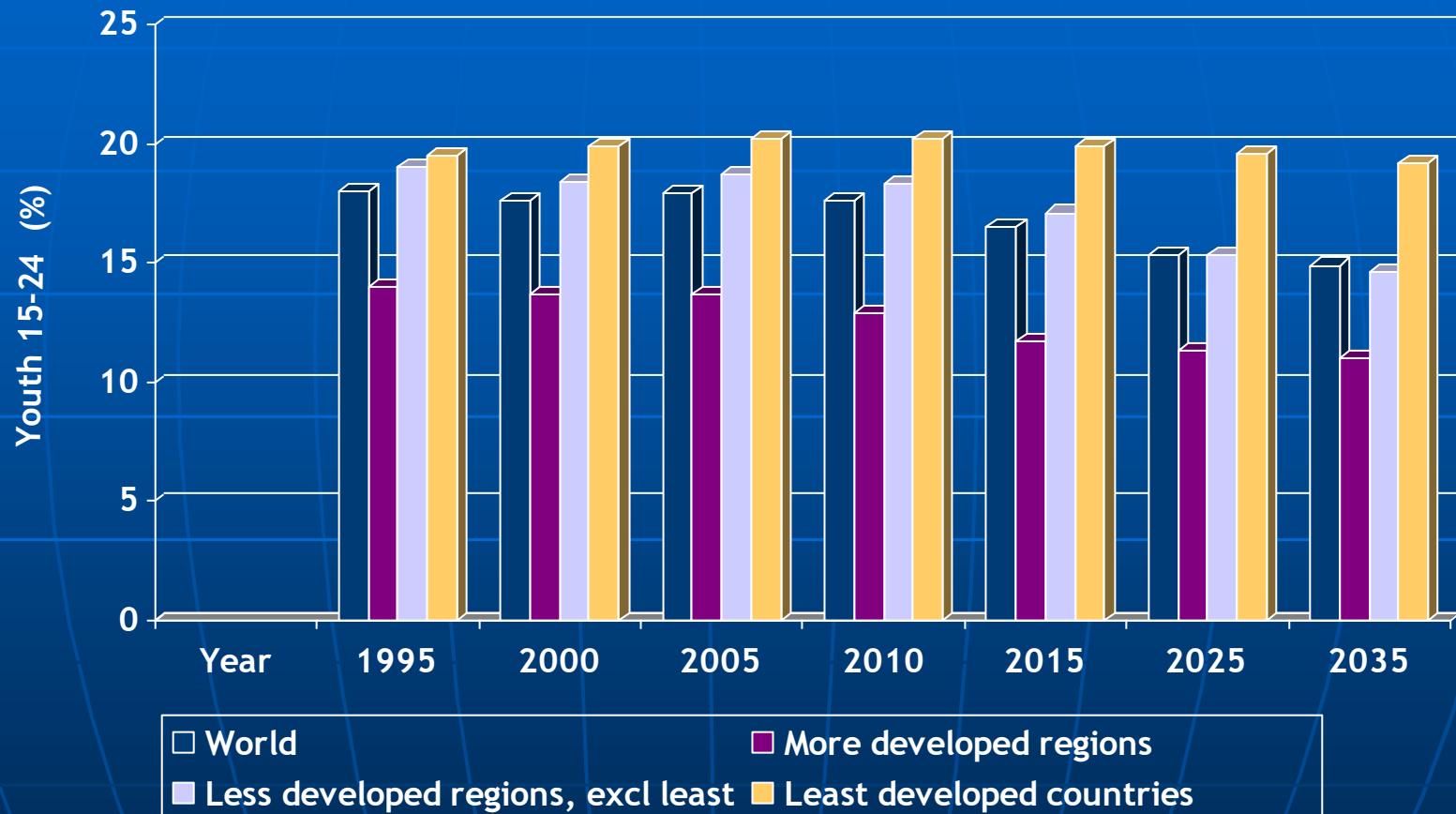


Presentation Outline

- Youth population & employment trends
 - Main challenges
 - Evidence from Brazil
- Existing policies
 - Literature review
 - Self-employment/entrepreneurship justification
- Best practices
 - Criteria
 - 8 cases
- Lessons learned



World youth population by regions, 1995-2035



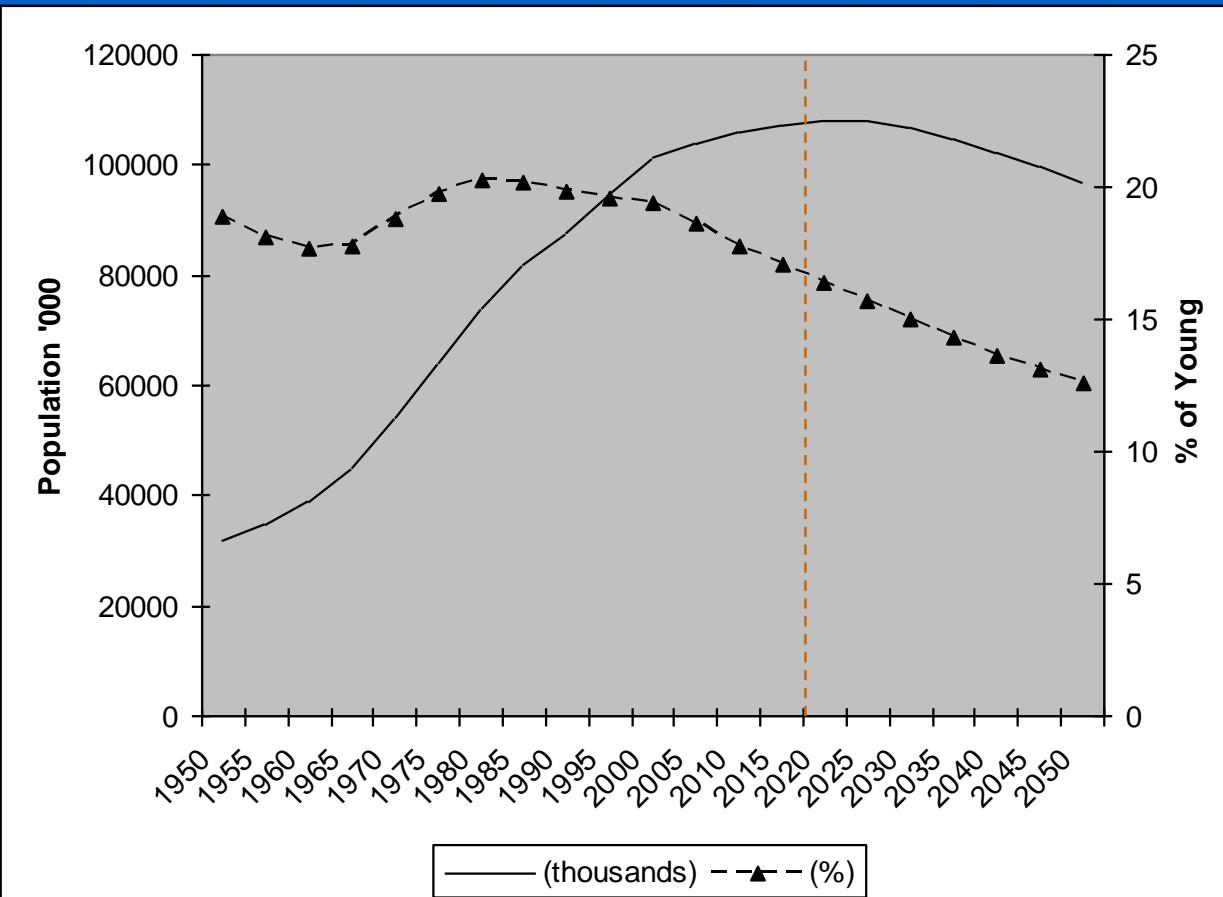
Source: United Nations. 2006. *World Population Prospects*

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LAC Youth Population (15-24 yrs), 1950-2050

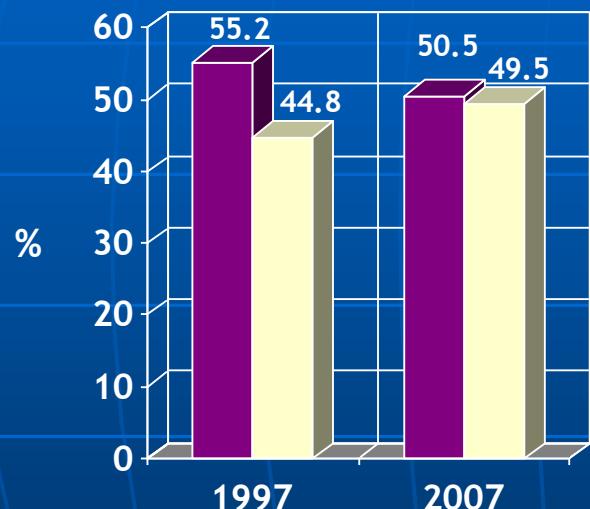


Source: UN World Population Prospects: the 2006 Revision Population Database.



Global labor market indicators for youth [1997 - 2007]

Youth labor participation



- Labor force partic. rate (%)
- Youth inactivity rate (%)

Youth Unemployment

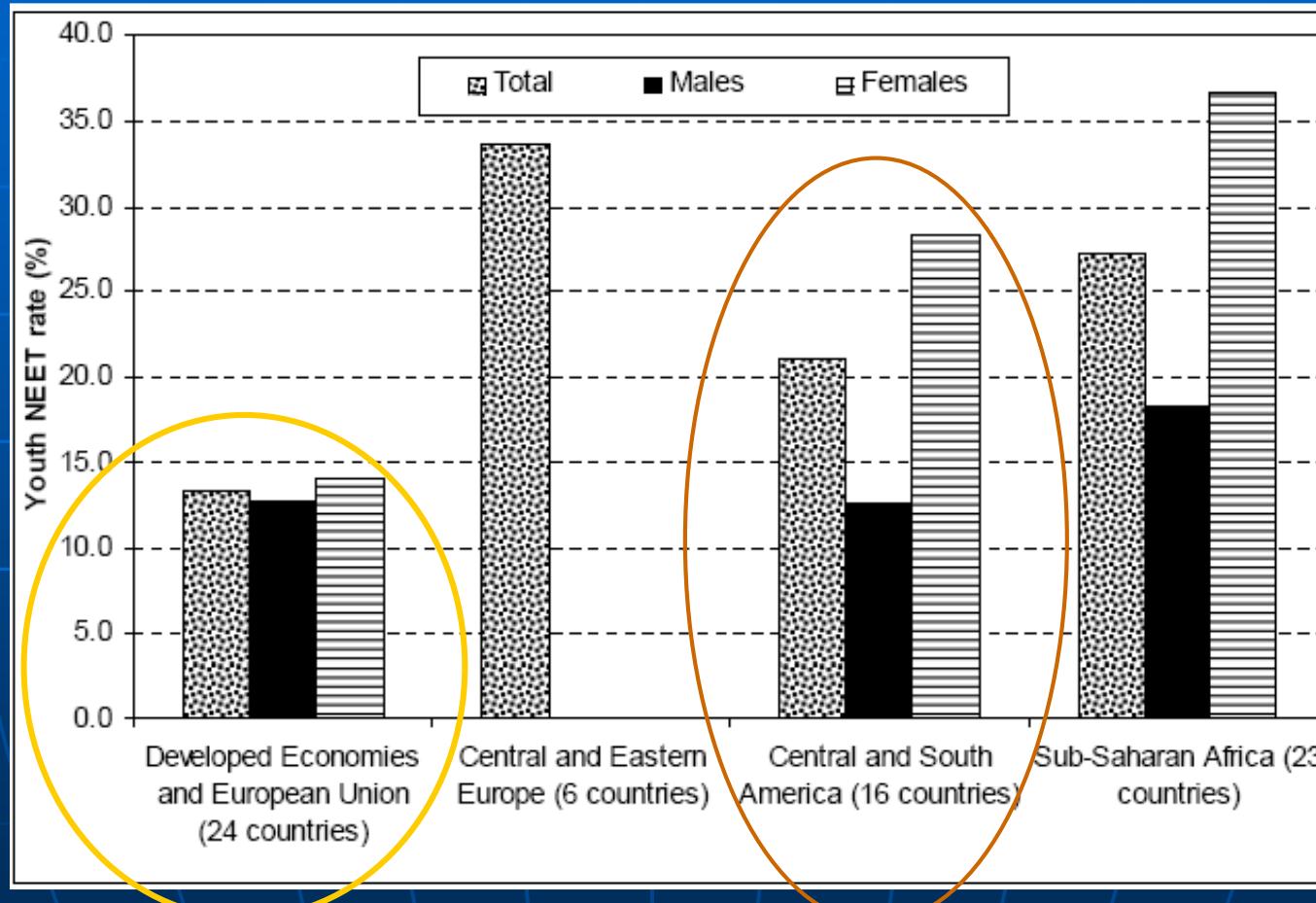


- Unemployment rate (%)
- Youth-to-adult unempl. ratio (%)

Source: ILO. *Global Employment Trends for Youth* (2008)



Regional % of Youth ‘Neither in Employment Nor Education’



Source: ILO (2006).



Main youth employment challenges

Developed Countries

- Skilled vs. unskilled dichotomy
- School-to-work transition
- Job quality issues (*non standard jobs*)
- Issues of minority groups (*migrants*)

Developing Countries

- Insufficient education attainment / quality
- Poverty, vulnerability & youth at risk
- Mismatch in labor supply – demand
- Lack of opportunities & informality
- Expected effects of the crisis?



Main youth employment challenges

Developed Countries

- Skilled vs. unskilled dichotomy
- School-to-work transition
- Job quality issues
- Social exclusion of minority groups

Developing Countries

- Insufficient education attainment / quality
- Poverty, vulnerability & youth at risk
- Mismatch in labor supply – demand
- Lack of opportunities & informality
- Predictable crisis effects on youth employment?



Mismatch labor supply/demand

Unrealistic preference public sector

Average earning by type of employment (Brazil)

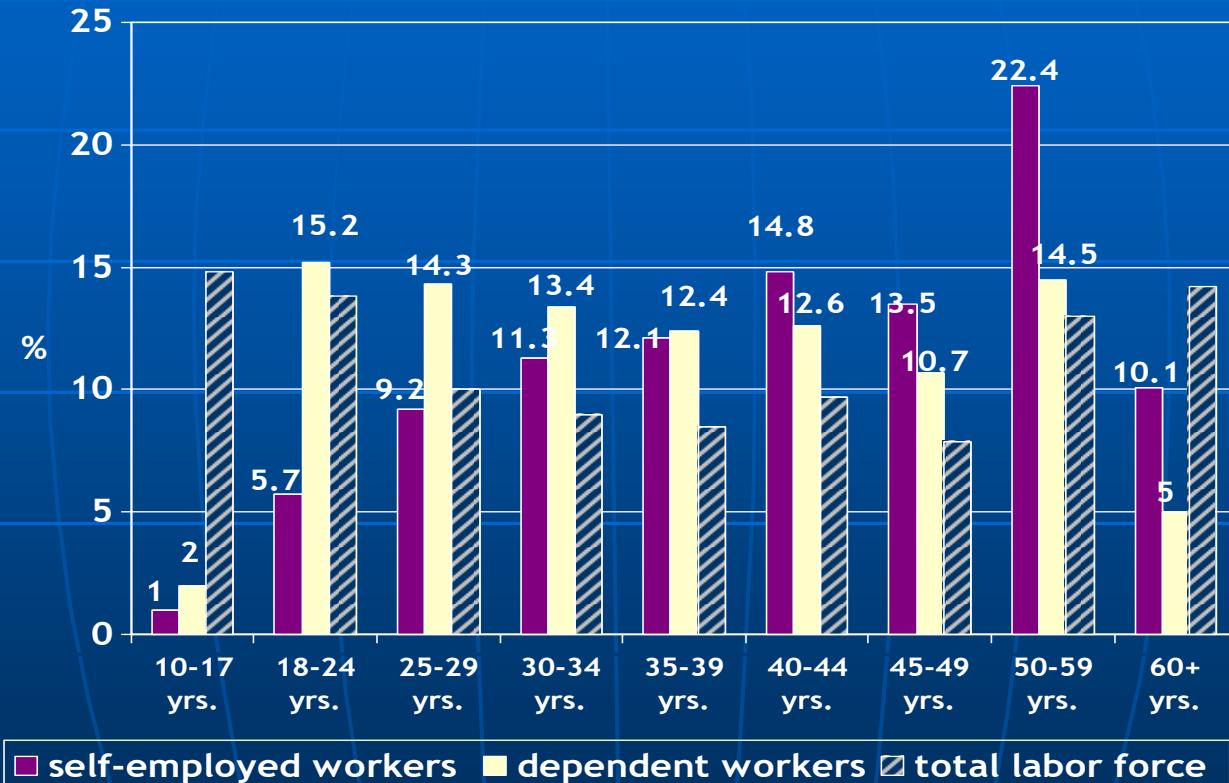
	<i>% of employed population (Sept 08)</i>	<i>Avg. real income (Sept 08)</i>
Employed Population[†]	--	R\$ 1,267.3
Formal Private Sector*	43,9%	R\$ 1,212.5
Informal Private Sector**	13,8%	R\$ 815.4
Military or Public Sector employee	7,6%	R\$ 2,261.5
Self-employed	18,6%	R\$ 1,053.0

Source: IBGE. September, 2008. *Pesquisa Mensal de Emprego*



Employment type % by age

Urban areas, Brazil - March '08



Source: IBGE. March 2008. Monthly Survey of Employment ("Pesquisa Mensal de Emprego") on the group of six Metropolitan Brazilian Areas

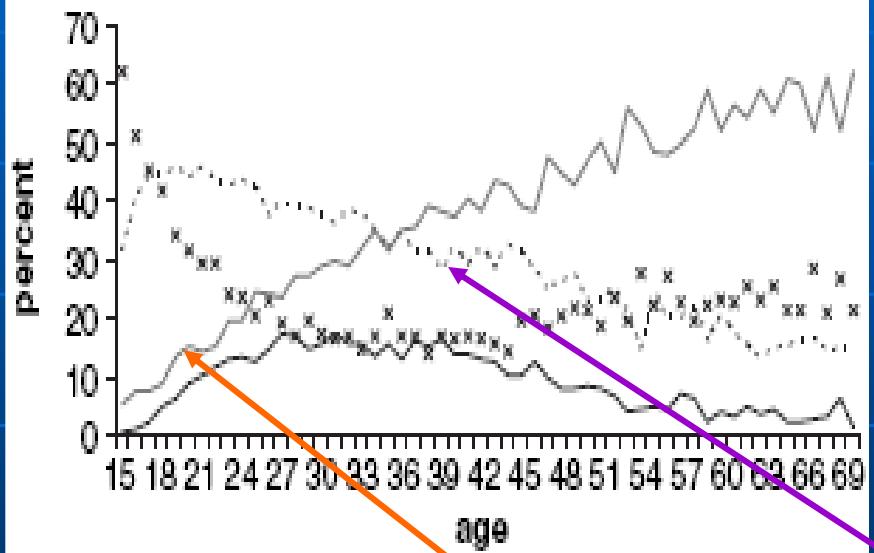
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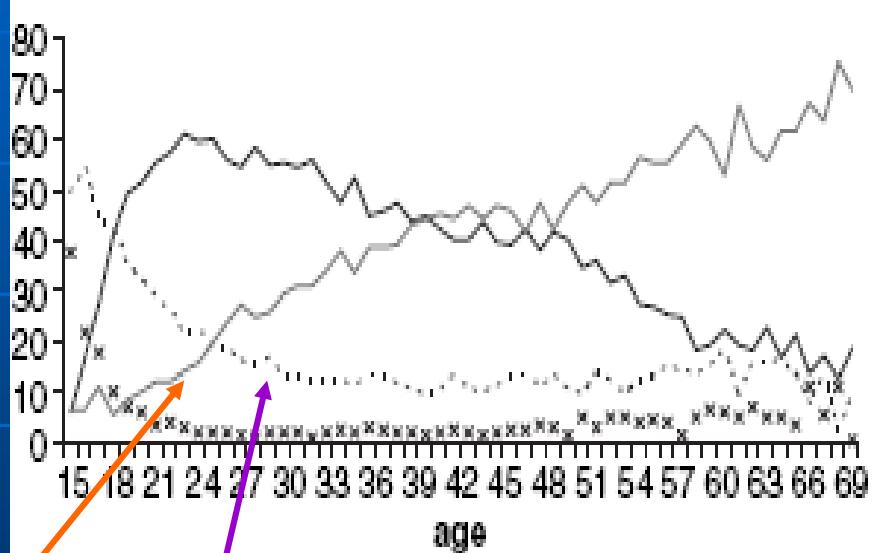


Mismatch labor supply/demand Brazil: opportunities & informality

POOR



NON POOR



Source: Cunningham et al. (2008, p. 92)
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Predictable crisis effects on youth labor & education?

- > Negative impact mostly on larger/formal sector firms (formal financing recipients)
- > Young, unskilled, female, urban workers = more vulnerable groups to economic downturns
- > Reduction in employment / real wages/ remittances*
- > Poor households responses: increase work hours, withdraw kids from school, migrate



Literature notes on Youth Employment Policies

Main references:

- ILO – Cinterfor
- “*Youth Employment Inventory*” (YEI), World Bank initiative
 - 289 programs x 84 countries
 - (but ~ 90% in advanced and middle-income countries)
 - Training / comprehensive programs are the dominant forms of intervention, followed by entrepren. promotion
 - 52% of YEI programs target low income youth
 - Lacking rigorous evidence, systematic evaluations of impact & cost-effectiveness



World Bank - Youth Employment Inventory db

Category of intervention for Youth	Approx unit cost / 2005 US\$ *	Europe / Central Asia	LAT Amer	MENA	OECD	South-East Asia & Pacific	Sub-Saharan Afric a	Total	%
Better labor market for youth	1001	13	3	1	17	0	1	35	12%
Young entrepreneurs	500	3	5	1	11	6	7	33	11%
Skills training for youth	2,543	18	38	2	38	9	6	111	38%
Reform training systems					6	1	4	11	4%
Labor market regulations					1	1		2	1%
Comprehensive interventions*	\$ 1,350 (LATAM) 8,056 (OECD)	6	22	4	47	4	11	94	33%
Other		1			2			3	1%
Total		41		68	18 - SCL/SPH Luisa Mimmi IDB - SCL/SPH	122	21	29	289 14 100%



Why microcredit & entrepreneurship policies?

OPPORTUNITIES

- **Untapped youth entrepreneurial potential**
 - Youth Business International*: “potential 20% of poor/unemployed youth” vs. actual 5%
- **Expected scenario**
 - crisis, shrinking public sector & formal large firms
- **Creation of new jobs** (no competition adult peers)
- **Skills that serve everyone**
- **Youth as an asset with distinctive skills** (eg: IT)
- Youth shows **equal/higher repayment rates** than adults
 - ImagineNations Group (2007).

ISSUES

- Entrepreneurship is **not for everyone**
- Necessary **candidate selection vs. social inclusion?**
- Viable option **for middle-, upper-class people?**
- **Young, poor people** with no experience or assets **are seen as too risky by sources of finance based on conventional credit-scoring**
- Excessive/ over-complex red tape and **bureaucracy disincentive**
- **Non-supportive cultural attitude, values**



8 Best Practices: selection criteria

1. Explicit **focus** on the promotion of **entrepreneurship and self-employment** for youth
 1. Most programs involve microcredit
2. Wide **variety of contexts**, development level, executive agency
3. Some degree of rigor in the **evaluation** of impact and cost/effectiveness, or at least:
4. Some **qualitative or anecdotic evidence** of particularly effective outcomes, or suggested inspiring methodologies



Map of 8 Best Practices 1/2

	Peru	Bulgaria	South Africa	Argentina	Kenya	Angola	Italy	UK
Agency	NGO	Govnmt.	Govnmt	Foundation	NonProfit	Govnmt	Govnmt	Govnmt
Sponsor	Fondoempleo / IDB	Govnmt	Govnmt	Mostly private (Fomin)	Mostly private	Govnmt + Banks	Govnmt	Govnmt + EU + private
Target	15–35 yrs low-income business idea or existing <1	Unempl. School Leavers	18-35 yrs / women	18–35 yrs w business idea	Poor high school girls	18-30 yrs (group)	18-35 yrs w business idea	18-35 yrs
Evaluation	Impact evaluation	Impact evaluation	Annual Report	External auditing	External eval.	Annual Report	OECD “Best practice”	OECD “Best practice”
Source:	YEI db	YEI db	web site	web site / ILO Cinterfor	web site	web site	YEI db OECD	YEI db OECD



Map of 8 Best Practices 2/2

	Peru	Bulgaria	South Africa	Argentina	Kenya	Angola	Italy	UK
Labor market improvements								
Entrepren. promotion	X	X		X	X	X	X	X
Skills training					X			
Comprehensive interventions			X			X		X
Microcredit component	Some loans	Lump-sum	Loans Vouchers	Interest-free loans	Some micro-grants	Group loans	Grant + Loans	Grant + Loans
Cost x person (USD 2005)	\$536	\$465	n.r.	n.r.	n.r.	n.r.	n.r.	n.r.



Peru CID (Colectivo Integral Desarrollo)

“Programa de Calificación de Jóvenes

Creadores de Microempresas”

- **Program strategy**
 1. Competition *"Haz realidad tu negocio"*
 2. Finalists selection
 3. Post-selection services (capacity building, counseling, internship)
- **Impact Results** - *Treatment & Control* (*interested but non-enrolled peers*)
 - + 7.8 pcg. points in probability of having a business
 - + 8% in income
 - + 40 pcg. points in probability business active >1 yr
 - 17.3% more workers than the control group
- **Cost x person:** \$536

LESSONS LEARNED

- selection / identification of those young people with real potential
- effectiveness relies on personalized service
- business size increases due to access to credit
- Need to follow up on business for at least 2 years



Argentina (Fundación Impulsar) “Promoción de microemprendimientos juveniles”

- **Program strategy**
 1. Province based registration (individual interviews)
 2. **Pre-training** (20 meetings) on business plan formulation
 3. Projects **selection** by Regional Council (with representatives of community)
 4. **Interest-free loans** (up to 7000 pesos) without collateral
 5. Assigned a volunteer business mentor
 - **Outcomes - external auditing from Youth Business International**
 - 593 business / 876 jobs created in [1999-2008]
 - \$ 3.089.458 = total loans disbursement
 - Loans **repayment rates > 80%** (despite no guarantees)
- * **IDB/FOMIN** among donors !

LESSONS LEARNED

- **Volunteer Mentors** - 4 h/month X 3 yrs !!!
 - recruiting initiatives (e.g. *Café' de Mentores*)
- **Interest-free loans** of up to US\$5,000/ 7,000
 - no collateral requirements, but yes eligibility criteria
- Declared difficulty to overcome cultural barriers vs. self-employment



Kenya (Baobab Project NonProfit)

“Teaching Kenyan Youth Skills for Independence”

- **Program strategy**
 - programs at **6 secondary schools** and 10 community sites in Kenya
 - educating and **empowering women** with life & business skills
 - **Micro-grants (\$100)** for business start-ups **to selected high school graduates**
 - Mentoring (**every 2/3 months**) by skilled Kenyan woman
- **Outcomes** – *2 evaluations by Centre for Excellence in Entrepreneurship and Development (CEED) at the US International University in Kenya.*
 - 150 students currently enrolled
 - ~ 1,000 graduates & 300 micro-grants awarded since inception
 - ~ 50% of the grantees are **successfully running a business**

LESSONS LEARNED

- Build self esteem and confidence (especially for girls)
- Changes in community attitude towards young women economic indep.
- Need to keep track of graduates
- Not all girls mature enough to sustain a business



UK (Prince's Trust Foundation)

Prince's Trust Business Program

■ Program strategy

- UK's leading youth charity funded through Govnmt., EU, variety of donors
- Comprehensive nationwide youth program
- Specific Prince's Trust Business Program for youth business start-ups
- Financial services to unemployed young individuals
 - Start-up loans up to \$5,500 (3% interest rate)
 - Special grants up to \$2000
 - Test marketing grants up to \$345

■ Outcomes since inception (1976)

- Supported over 550,000 young people (work, education, social inclusion)
- Over 50,000 new businesses created (56% over 3rd year)
- 6,400 Business Mentors currently volunteering

LESSONS LEARNED

- > 800 operational & strategic partners (from banks to cricket clubs)
- Impressive monetary estimation of youth exclusion costs*:
 - £10 million/day in lost productivity
 - £20 million/week in government Jobseeker's Allowance
 - £1 billion/year for youth crime
 - £18 billion/year lost earnings for educational underachievement

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Concluding Remarks 1/2

- WHY SELF-EMPLOYMENT AND ENTREPRENEURSHIP A POLICY OPTION?
 - Evidence of existing untapped potential
 - Current crisis & shrinking public/large business labor demand
- KSF for EDUCATION & ENTREPRENEURSHIP in DISADVANTAGED CONTEXTS
 - Person-centered programs (targeting, selection, one-to-one assistance)
 - Adult points of reference (mentoring, managers' shadowing)
 - Experiential learning rather than lectures (case studies, internships)
 - Seek exposure to a “work culture” (this is for everyone)
 - Facilitate accessible informal network / business contacts
 - Engage more the local business & community &
Use the market to match skills & services to real job demand



Concluding Remarks 2/2

■ IDENTIFIED WEAKNESSES

- Follow-up with post-selection assistance
- Rigorous impact evaluation (impact/ cost-benefit / long term)
- Lack of co-ordination with existing grass-roots initiatives

■ FINANCING “RISKY” & INEXPERIENCED SUBJECTS?

- Variety of available financing options & donors
- Youth repayment rates better than expected (> 80%)
- Collaterals/guarantees replaced by good ideas, sound business plans, demonstrated reliability



Annexes



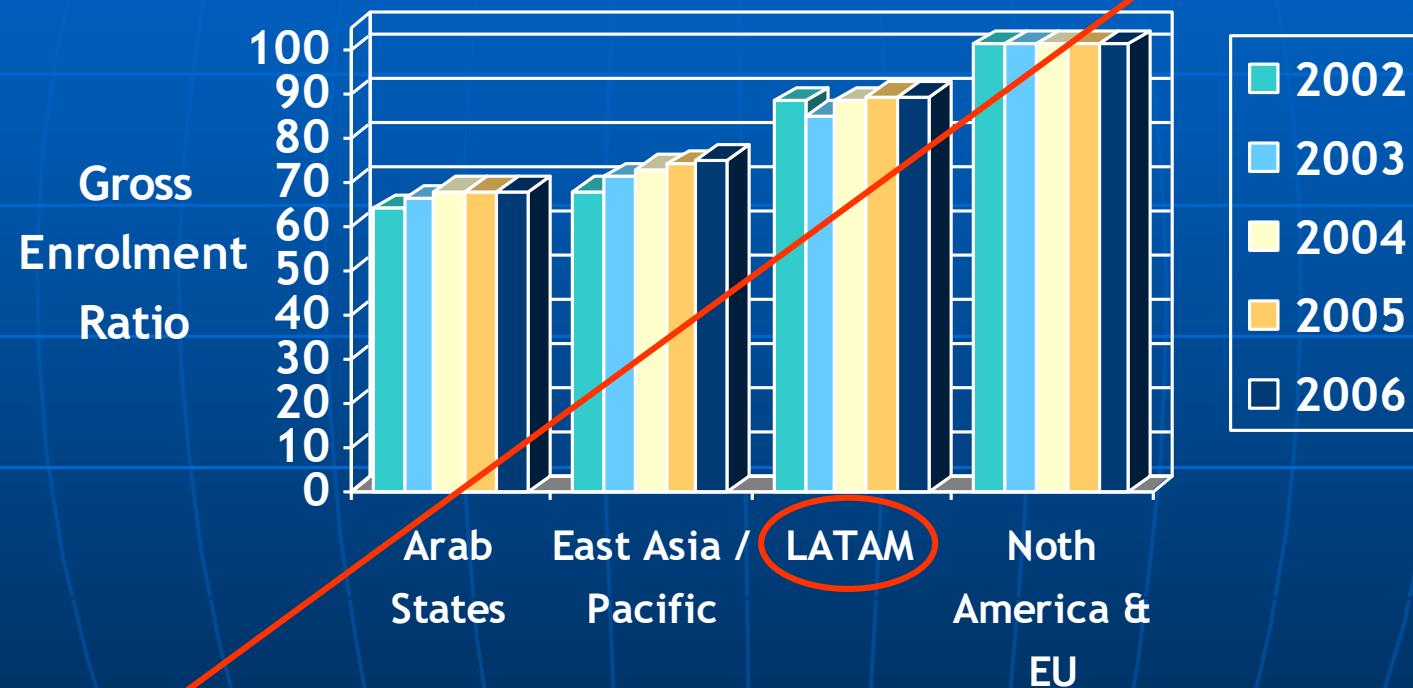
Global labor market indicators for youth, 1997 - 2007

	Total			Male			Female		
	1997	2007	Δ ('07-'97)	1997	2007	Δ ('07-'97)	1997	2007	Δ ('07-'97)
Labor force (mln)	576.9	602.2	25.3	339	354.7	15.7	237.8	247.5	9.7
Employment (mln)	514	530.8	16.8	302.9	313.5	10.6	211.1	217.3	6.2
Unemployment (mln)	62.8	71.4	8.6	36.1	41.2	5.1	26.7	30.1	3.4
	1997	2007	Δ ('07-'97)	1997	2007	Δ ('07-'97)	1997	2007	Δ ('07-'97)
Employment-to-population ratio (%)	49.2	44.5	-4.7	56.7	51.3	-5.4	41.3	37.4	-3.9
Labor force partic. rate (%)	55.2	50.5	-4.7	63.5	58	-5.5	46.5	42.6	-3.9
Unemployment rate (%)	10.9	11.9	1	10.7	11.6	0.9	11.2	12.2	1
Youth inactivity rate (%)	44.8	49.5	4.7			0			0
Youth-to-adult unempl. ratio (%)	2.6	2.8	0.2	2.7	2.9	0.2	2.4	2.7	0.3

Source: ILO (*Global Employment Trends for Youth, 2008, 52*).



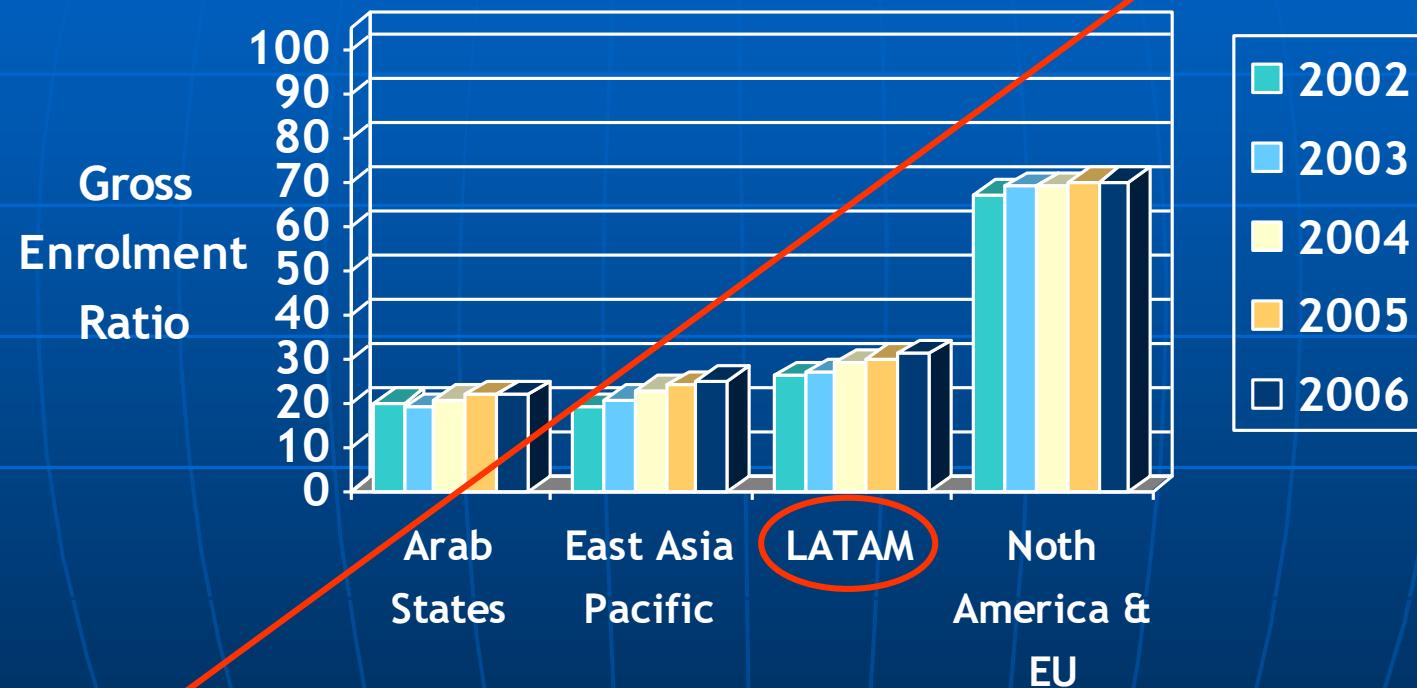
Secondary Education: regional Gross Enrolment Ratio



Source: UNESCO Institute of statistics (UIS).



Tertiary Education: regional Gross Enrolment Ratio



Source: UNESCO Institute of statistics (UIS).



Poverty, vulnerability and youth at risk

- In the LAC region, more 1/2 of the youth are ‘at risk’ *
- Risk originates at different levels:
 - individual level
 - micro level (family, neighborhood, community)
 - macro level (overall socio-economic context, income inequality, laws...)

Source: Cunningham, Wendy, Linda McGinnis, Rodrigo García Verdú, Cornelia Tesliuc, and Dorte Verner. 2008. “Youth at Risk in Latin America and the Caribbean Understanding the Causes, Realizing the Potential”. The World Bank, Washington DC.



Self-Employment facts in Brazil

- Young workers are less likely to be self-employed
- Typical education level of self-employed workers is elementary and secondary
- 70% of (15-18 yrs) self-employed prefer formal wage work over self-employment
 - vs. 50% of 19-24 self-employed

Source: Perry et al. (2007) cited by Cunningham (2008, 96).



World Bank - Youth Employment Inventory db: GLOBAL VS. LATAM

Category of intervention for Youth	Global #	Global %	LAC #	LAC %
Better labor market for youth	35	12%	3	4%
Young entrepreneurs	33	11%	5	7%
Skills training for youth	111	38%	38	56% 
Reform training systems	11	4%	0	0%
Comprehensive interventions*	94	33%	22	32% 
Other	5	2%	0	0%
Total	289	100%	68	100%

Source: Puerto (2007.b, 9)

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