



# Investing in Youth Entrepreneurship and Employment

Numbering 1.8 billion, youth<sup>1</sup> represent a quarter of the world's population and will continue to impact the economies and societies of the future. Young people can bring innovative and imaginative solutions to the world's most pressing challenges. Yet with approximately 74 million youth unemployed<sup>2</sup>, many will not realize this potential if they are denied opportunities to pursue decent work and contribute fully to economic and social development. Rather than wait for jobs to become available, many entrepreneurial young people are starting their own business and creating jobs for themselves and others. Established businesses can also promote entrepreneurship and have the potential to also benefit by supporting and investing in youth-owned enterprises.

## How business and youth employment relate

The global jobs crisis and its negative impact on economic growth have disproportionately affected youth. The situation is particularly serious in developing countries and the Middle East and North Africa (MENA) region, where one in three young people are unemployed<sup>3</sup>. Business leaders have similarly identified growth and employment as a top global sustainability challenge and consider it an area where they can have the most positive impact<sup>4</sup>.

High rates of unemployment, underemployment and precarious work can push youth towards informal employment, resulting in income inequalities and diminished economic and social development. These conditions can also reinforce gender inequalities, with young women experiencing unemployment rates of 45-50% in some developing regions<sup>5</sup>. Other marginalized groups are also disproportionately affected, including indigenous youth and youth with disabilities.

<sup>1</sup> Persons between the ages of 15 and 24 years

<sup>2</sup> International Labour Organization, Global Employment Trends for Youth 2013: A generation at risk (2013)

<sup>3</sup> International Labour Organization, World of Work 2014: Developing with jobs (2014)

<sup>4</sup> United Nations Global Compact, Global Corporate Sustainability Report (2013)

<sup>5</sup> International Labour Organization, World of Work 2014: Developing with jobs (2014)



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When young people experience prolonged unemployment, they risk becoming disenfranchised or alienated from vital economic and political institutions. The resulting social unrest can be a catalyst for wider economic and political instability, which may also negatively impact the environment in which companies operate.

By contrast, providing and promoting decent employment opportunities for youth not only ensures economic growth, it connects young people to the economy and society. Achieving financial security and independence through meaningful work can instill a sense of dignity, responsibility and accomplishment. When young people develop experience in the workforce, they gain skills better matched to the needs of business and improve their employability as adults. As a result, businesses can close the skills gap and build their human capital pipeline.

## Entrepreneurship as a driver of economic development and job creation

New enterprises – those less than five years old – have high growth potential and therefore are vital in creating jobs. They also tend to create better quality jobs, pay higher incomes, and employ a larger portion of youth. In a report surveying 380,000 companies representing 10 countries, the top 5 companies, as measured by growth in the number of employees, generated 72% of revenue and 67% of jobs in those countries<sup>6</sup>. These companies were generally classified as young enterprises, further demonstrating entrepreneurship as a primary driver of economic development and job creation.

## The benefits of investing in young entrepreneurs and new enterprises

- By forming relationships with new enterprises, established companies can identify potential suppliers and ensure they are better integrated into their supply chains. Such suppliers can also be tapped as a source of innovation when the internal development of new products and processes is not feasible. In turn, when new enterprises form business relationships with established companies, they can be more responsive to feedback on improving their performance as a supplier or vendor.

- When established companies provide venture capital to fund the development of new enterprises, they may earn a return on investment if those enterprises continue to grow. Furthermore, investing in young entrepreneurs and the growth of new and innovative enterprises can improve regional and national economic competitiveness. A diversity of organizations and business activity may better withstand economic downturns and contribute to a more resilient economy.

<sup>6</sup> World Economic Forum, Global Entrepreneurship and Successful Growth Strategies of Early-Stage Companies (2011)

## Supporting youth entrepreneurship as one solution to the global jobs crisis

**Inspire** - Share with young people inspirational stories of a company's founding and history as it transformed from a new enterprise to an established business. Learning about a company's success can inspire and motivate young people to pursue self-employment, entrepreneurship and business ownership as viable career options.

**Educate** - Assist in developing business plans and provide feedback on potential business models. New enterprises can also benefit from guidance in developing purchasing policies and accounting procedures. Partner with educational institutions to encourage and promote entrepreneurial thinking in school curricula.

**Finance** - Assist young entrepreneurs to secure financing from banks and other commercial lenders. Establish a venture capital fund to ensure young entrepreneurs have financial backing to successfully launch and grow their new business. Donate or provide company products and services at low cost to entrepreneurs.

**Mentor** - Develop mentoring programs to connect business units with related functions in a new enterprise. For example, a marketing department can share its expertise in identifying, establishing and retaining a customer base.

**Source** - Identify sourcing opportunities with youth-owned enterprises, including purchasing their products and services. Simplify or streamline the process for becoming a new supplier and encourage new enterprises to participate in the procurement and bidding process.

**Advocate** - Work with business associations and governments to promote the Entrepreneurship Ecosystem: Innovation and technologies; Access to capital; Education and coordinated support; Government and taxation; Entrepreneurship culture; Trade. Encourage governments to improve tax incentives, simplify the process for registering a business and provide legal protection for new enterprises.

## References and Resources

### International Labour Organization (ILO) - Decent Work Agenda

<http://www.ilo.org/global/about-the-ilo/decent-work-agenda/>

### ILO - Youth Employment Programme

[http://www.ilo.org/employment/areas/youth-employment/WCMS\\_192889/](http://www.ilo.org/employment/areas/youth-employment/WCMS_192889/)

### ILO - 2014 World of Work Report

<http://www.ilo.org/global/research/global-reports/world-of-work/>



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