



story

Doing Business Basics

October 30, 2007—If you've tried starting or running your own business, you know there is paperwork to fill out and regulations to follow. This process is more difficult in some countries than others.

The *Doing Business 2008* (www.doingbusiness.org) report tracks how easy it is to run a business in 178 countries. It analyzes 10 different types of regulations to determine a country's ranking on the ease of doing business.

These regulations impact those just entering the workforce, whether it's trying to land that first job or start a business. For example:

Starting a Business

Procedures to register a business are complicated in many countries. Entrepreneurs often never complete the required paperwork but keep their ventures as informal operations. As such, they never take full advantage of the economic opportunity—such entities tend to be smaller than formal businesses. They also hire fewer workers.

But studies show when governments simplify start-up procedures, informal businesses obtain registration licenses. To simplify start-up procedures, governments can:

- Decrease the minimum capital requirement, which is the amount of money a prospective business owner needs to get his business approved. In some 20 countries, the needed amount is at least 3 times the average annual income per capita.
- Set up a one-stop shop to register the company to decrease the number of days and procedures a prospective business owner needs to go through.
- Standardize incorporation documents and cut down on required paperwork, especially paperwork that needs to be approved and notarized.
- Allow on-line registration so that the whole process can be done through the Internet, without involving public officials. This cuts the time to start a business from 40 days to 17. Also, no bribes can change hands.

Registering Property

Property (houses, land, etc.) in developing countries is often not formally registered, preventing entrepreneurs from using these assets as collateral to raise money to invest in their business. Countries with simpler registration procedures have more registered properties, giving more business people greater access to credit.

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Registering Property (continued)

Getting people to register property can be done by simplifying and lowering fees, speeding up the registration process, making the registry electronic, and by making the whole process an administrative rather than legal procedure.

Getting Credit

When small businesses have easy access to credit, they can borrow money to operate and expand. To make access to credit easier, Doing Business suggests:

- Expand the range of information available in credit registries. Include information on phone and electricity payments in credit reporting to help build a credit history for those people (like the poor or the young) who never had a bank loan or a credit card.
- Allow all types of assets to be used as collateral and establish registries for this collateral.

Hiring Workers

Flexible labor regulations can help create more jobs and make it easier for businesses to operate. The following reforms create opportunities, especially for women, youth and unskilled workers:


- Flexible working hours help businesses respond to seasonal increase in demand.
- Apprentice wages allow businesses to hire first-time employees for a lower pay for a short time. The workers get training and work experience, while the businesses get an incentive to keep these workers they helped train. *Apprentice contracts exist in nearly all rich countries along with 25 others, including Burkina Faso, Chile, Madagascar, Thailand and Tunisia.*
- Lower dismissal costs: Regulations which make it difficult to fire workers can have unintended consequences, such as deterring employers from creating new jobs. Women and youth are often the first ones affected. *A study in Chile showed that making it more difficult to fire workers increased the employment for middle-aged men at the expense of women, youth and unskilled workers.*

All these suggestions make doing business—starting, operating and closing it—easier. If governments follow these suggestions, they can help young people get that first job or start their own business.

IT'S A FACT

Informal Economy is the process of income generation that is unregulated by the institutions of society, in a legal and social environment in which similar activities are regulated. It's the exchange of goods and services which aren't accurately recorded in government figures and accounting. The informal economy is generally untaxed, and commonly includes goods and services including day care, tutoring, or black market exchanges. Workers usually aren't protected by pensions, safety regulations and health benefits as in a formal economy. Although informal economy is often associated with developing countries, where up to 60% of the labor force works informally, it exists in all countries.

MULTIMEDIA

 Map: **Business Planet: Mapping the Business Environment.** Discover how easy (or difficult) it is to do business in 178 economies. rru.worldbank.org/businessplanet/

LEARN MORE

Check out these sites to learn more about entrepreneurial topics.

The Entrepreneur Test
www.bizmove.com/other/quiz.htm

SBA: Teen Business Link
www.sba.gov/teens/

Startup Journal: Entrepreneurial Potential
online.wsj.com/small-business/running-a-business

Students in Free Enterprise
www.sife.org

Youth Business Int'l
www.youth-business.org

Youthink! Quiz on Doing Business
youthink.worldbank.org/issues/development/doingbusiness/quiz.php