



employment

issue brief

What Is It?

The labor, task or duty that is one's accustomed means of livelihood. A specific task, duty, function, or assignment often being a part or phase of some larger activity.

Jobs are at the heart of a country's growth and a person's security and livelihood. Economic growth isn't possible without jobs and opportunities.

People from around the world say that finding a decent job would help them escape poverty, according to *Voices of the Poor*, a World Bank survey which captured the perspectives of poor people. Studies confirm this—the vast majority of people who escape from poverty do so by starting their own business or finding work in an existing one, according to the *Doing Business 2006* report (www.doingbusiness.org).

Most jobs are in the private sector, which accounts for more than 90% of jobs in most countries.

Private businesses help to increase production and help countries grow more. But in many countries, laws and regulations (good legal systems, fair tax policies) aren't developed to let the private sector thrive and be able to compete globally.

In some countries it's nearly impossible to start a business, according to *Doing Business 2006*. For example:

- In Lao PDR, the start-up procedures would take 198 days to open a new business.
- In Syria a person would have to put up \$270,000 in minimum capital, which is 51 times average annual income.
- To build a warehouse in Bosnia and Herzegovina, the fees for utility hook-up and compliance with building regulations would amount to 87 times average income.
- In Guatemala, it would take 1,459 days to resolve a simple dispute in the courts.
- In Sierra Leone, it would cost a company 164% of its gross profit to pay all business taxes.

These complicated regulations force people to businesses to operate in the informal economy. This means that while businesses don't pay taxes, they also don't have access to credit and better utility services to expand their business. It also means they don't provide any benefits (health and pension) to their employees.

What Is It? (continued)

In many developing countries today more than half of the population works in the informal economy, mostly women and young and inexperienced workers.

Why Should I Care?

- One billion people will become of working age within the next decade. Many aren't entering the workforce.
- Some 88 million young women and men are unemployed throughout the world, the International Labour Organization (www.ilo.org) estimates.
- They account for 47% of all the 186 million unemployed persons globally.
- Young women and men on average are two to three times more likely to be unemployed than older generations.
- Most young people who do work tend to work in the informal economy
- Youth unemployment is even higher for youth with disabilities, female youth, and youth belonging to minority ethnic groups.

Most jobs available to youth are low-paid, part-time, and non-secure positions, with few benefits or prospects for advancement. These jobs often don't provide an income sufficient to cover basic necessities.

When young people can't find meaningful, productive and secure jobs, this can lead to wider societal problems:

- Increased poverty among the youth
- Delaying marriage and starting a family
- Feeling marginalized, excluded and frustrated which sometimes leads to behavior that imposes a burden on society
- When young people, especially men, feel that there is no prospect of finding a job they are more likely to drop out of school

What Is the International Community Doing?

World leaders resolved to "develop and implement strategies that give young people everywhere a real chance to find decent and productive work" during the UN Millennium Summit (www.un.org/millennium). Youth employment is important to reducing

THINK ABOUT IT

Running a Business "Informally"

Oumarou runs a food supply business in Burkina Faso. He would like to move into the formal economy so that he can serve larger customers, who demand value added tax receipts.

But registering a business requires minimum capital equal to nearly 5 times annual income per capita. Fees alone cost 1.5 times income per capita. To get a bank loan Oumarou would have to put up a large amount of collateral. But he has never registered his property, because doing so would require fees equal to 16% of its value. In the face of such obstacles, Oumarou keeps his business informal—and small.

He is not alone: in a country of more than 12 million people, only 50,000 work in the formal sector.

(Example taken from *Doing Business 2006*)

What Is the International Community Doing? (continued)

poverty. The Youth Employment Network (www.oit.org/public/english/employment/strat/yen) was created. It is a global alliance to support countries in developing National Action Plans on Youth Employment.

International organizations, such as the International Labour Organization (www.ilo.org) work to promote opportunities for women and men to obtain decent and productive work, including young people.

Other organizations, such as the World Bank, work to promote the development of private business and sound government systems. This would help countries grow and all people create job opportunities for all people, including the youth.

Also, international development banks, including the World Bank, and non-governmental organizations provide microfinance to poor people, including poor youth. Microfinance are small loans to help poor people who wish to start or expand their small businesses but, are not able to get banks to lend to them. This way poor people get access to savings, credit and other financial services.

Microfinance stimulates self-employment and provides young people with entrepreneurial skills that provide them with livelihoods and improve their life prospects considerably.

What Can I Do?

- Learn more about laws and regulations in your country. See if they are fair, transparent and business-friendly. If not, get involved to improve them.
- Find your national Chamber of Commerce to learn more about the private sector in your country and the opportunities and difficulties businesses face.
- Think about what it takes to become an entrepreneur and find creative ways to start a business.
- Contact the Youth Employment Network (www.oit.org/public/english/employment/strat/yen) and learn whether your country has national action plan on youth employment. Then get involved.
- Check out the Youth Employment Summit (www.yesweb.org), an international youth organization that's empowering youth to create sustainable livelihoods.