

SELF-EMPLOYMENT AND LIVELIHOODS IN LAC

Introduction

Across the Latin America and Caribbean (LAC) region, the average youth unemployment level is nearly 18%, and economic growth averaged just 1.4% in 2018. Formal employment cannot absorb all entrants into the labor market. Lack of skills, experience, and professional networks place youth at a particular disadvantage in formal employment. Promoting self-employment and entrepreneurship is a key approach to support more successful labor market entry and income generation for youth in LAC. Youth themselves recognize the value of self-employment: according to a 2016 Gallup poll, around 20% of Latin American youth planned to start a business in the next year. Programs that support youth in creating and growing productive businesses, even businesses that start and remain small, can provide pathways for youth to gain more secure livelihoods.

The goal of this brief is provide guidance on steps for using best practices in entrepreneurship program design, implementation and evaluation to support youth who are oriented toward securing livelihoods. These are youth who are most often entrepreneurs of necessity, rather than entrepreneurs of opportunity. As the quote in the text box indicates, young entrepreneurs in LAC are likely to be experiencing vulnerability related to poverty and limited education. They may not be thought of as “entrepreneurs” in academic and practitioner communities that prioritize factors like growth and innovation in defining entrepreneurship, but youth at this level can still benefit from learning and exercising entrepreneurial skills. This brief will use the term “entrepreneur” in reference to these youth in a spirit of inclusion and acknowledging their potential. Table 1 provides descriptions of different types of “necessity” entrepreneurs.

This brief is grounded in evidence as well as an understanding of trends that are shaping actual entrepreneurs in this region. It offers guidance on approaches, tips, and tools that would be relevant to USAID implementers based in the LAC region in addressing the following questions that an entrepreneurship program designer needs to be able to answer in order to create effective programming:

- What is happening in your country context?
- Who are the youth you are targeting and what are their needs?
- What is their entrepreneurial capacity?
- Which sectors have potential for new enterprises?

“Only 13% of young entrepreneurs hav[e] some form of tertiary education in Latin America. . . . [T]he distribution of young entrepreneurs in Latin America is also related to the socio-economic background with almost two times the share of own-account workers in extreme poverty than in the middle class.”

–OECD/ECLAC/CAF, Latin American Economic Outlook 2017, p. 203

What is happening in your country context?

Countries across LAC are diverse, and solutions to support entrepreneurs in one country may not be appropriate to others. In designing an entrepreneurship program, it is important to consider factors like:

- the country’s stage of economic growth;
- which markets offer growth potential for new entrants;
- the political, social, environmental, and economic stability of the country; and
- the trends affecting populations in different settings (e.g. rural versus urban settings).

Tools and resources that you should look for to understand these factors and contextualize your approach include:

- the Global Entrepreneurship Monitor (see textbox);
- recent labor market and economic assessments carried out by USAID;
- recent research on economic and market trends conducted by other parties (e.g. universities, the World Bank, the Inter-American Development Bank)



TOOL: Understanding context

The Global Entrepreneurship Monitor (GEM) carries out survey-based research on entrepreneurship in many countries around the world. It offers a range of measures capturing the country context related to entrepreneurial performance and potential. For example, the Total Early-Stage Entrepreneurial Activity (TEA) score indicates the percentage of the working age population that are about to start or who have recently started an entrepreneurial activity. It is reported in aggregate and by age group, and therefore can illustrate how active different demographic groups are in entrepreneurship. GEM also provides valuable contextual information like differential reporting on “necessity” (survival) and “opportunity-driven” entrepreneurship; whether school-stage and postschool entrepreneurship education sufficiently meets the needs of entrepreneurs, and several dimensions of government policy concerning entrepreneurship.

Where available, these data offer important insights into what types of programming are likely to be successful and help frame appropriate expectations around success in light of the local conditions. For example, in an environment with a weak or overtly hostile entrepreneurial ecosystem, barriers to entry and success will be high. A program would need to make substantial investments to achieve small gains in youth entrepreneurial performance, since youth are least likely to have the networks, resources, experience, and power to overcome limits of the ecosystem. Investment in youth entrepreneurship may be very valuable in helping address the barriers to access, but program designers should carefully calibrate their expectations of what youth entrepreneurial success would look like in this environment.

Who are the youth you are targeting and what are their needs?

Different youth populations require different approaches to entrepreneurship promotion, which is why it is important to understand the target populations of youth and how well or poorly their current education and capabilities match up with market needs. A youth assessment can also help you better understand the profiles of the youth you aim to support, and their specific assets and challenges. If you need assistance with youth assessment, you may find the Guide to Cross-Sectoral Youth Assessments helpful.

Very often, youth need some degree of training and education in order to run businesses effectively. Depending on the population, their needs may range from basic literacy and numeracy through advanced entrepreneurial topics. If a youth assessment indicates that your target population would benefit from training, guidance in *What Works in Entrepreneurship Education and Training Programs for Youth? Evidence Report* can be used to tailor approaches for multiple youth population groups relevant to USAID. The report compiles current evidence on effective training approaches and topics to identify what approaches have evidence of working for youth broadly, and more detailed programming approaches for the following youth populations: 1) practicing entrepreneurs (currently engaged in business activities), 2) potential entrepreneurs (not currently engaged in business activities), 3) rural youth engaged in agriculture, 4) rural youth not engaged in agriculture, 5) female-only participant groups, 6) mixed-gender participant groups, 7) at-risk populations, and 8) not-at-risk populations (see Table 2).

There will be some points of conflict in the guidance when considering multiple characteristics of some youth populations – for instance the recommended training duration for practicing entrepreneurs is two weeks while the recommended training duration for at-risk entrepreneurs is six months. So what is the appropriate training duration for a practicing entrepreneur from an at-risk population? Where conflicts like this occur, it is good practice to carefully weigh the vulnerabilities of a population and assess which approach is better suited to addressing these vulnerabilities or otherwise providing protection for participants. For instance, while experiential learning with activities outside

the classroom can help youth integrate relevant skills quickly, it can also increase the risk of sexual harassment for young women. A classroom environment would provide greater protection. Other factors, including gender, physical disability and mental health are associated with increased vulnerability, as well.

It will be important for an entrepreneurship program to understand what the costs and barriers to youth participation in their program are likely to be. Targeted youth may need support or incentives in order to complete training programs. Programs will need to consider issues like whether learning spaces are welcoming to youth, whether youth have access to safe and affordable transportation, whether they will lose opportunities to make money if they spend time in training, whether they have domestic and educational responsibilities to balance with participating in training, and design assistance and incentives accordingly.

What is their entrepreneurial capacity?

As discussed in the introduction, the term “entrepreneur” can be used to describe individuals engaged in business at various levels. We described the programming target for this brief as “entrepreneurs of necessity” who are creating economic opportunities for themselves because they have few or no other options. This population can encompass a range of entrepreneur types. It may include individuals with no entrepreneurial experience or current entrepreneurs whose businesses are not reliably profitable, those who are generating enough profit to meet their needs and potentially make business or household investments, and people whose businesses are profitable and capable of creating jobs and employing others. The goal of entrepreneurship programming should be to help young entrepreneurs build consistently profitable businesses, at minimum.

TABLE I: “Entrepreneurs of Necessity” Types

Type of Entrepreneur	Description	Relevance to USAID Youth Programming	Program Example
Aspiring	Potential entrepreneur seeking first profitable business opportunity; limited entrepreneurial skill set.	Secondary and higher education graduates with higher socioeconomic status targeted for economic growth potential.	Advancing and Development through Entrepreneurship Programs and Training (ADEPT) (Burma)
Microenterprises	Are own-account (self-employed) enterprises working in nonagricultural sectors that employ at least one non-family worker on a continuous basis	Most youth workforce development programming for at-risk and marginalized youth focuses on this segment for job placement opportunities.	Calificación de Jóvenes Creadores de Microempresas (Peru)
Household Enterprises	Motivated by the creation of sources of income, these are nonfarm enterprises operated by a single individual or with the help of family members	Highly relevant for youth who want to use their skills and energy to create a non-farm income source for themselves and their families.	FTDAP Farmer Training and Development Assistance Program (Multiple Countries)
Survival	Motivated by survival or lack of other options: engages in a business activity because of limited opportunities for remunerative employment.	Most livelihoods-oriented programming for at-risk and marginalized youth focuses on this segment	Jóvenes Rurales Emprendedores (Colombia)

Adapted from *What Works in Entrepreneurship Education and Training Programs for Youth? Evidence Report*, p. 7

Aspiring entrepreneurs blur the line somewhat between entrepreneurs of necessity and entrepreneurs of opportunity, but where programs aimed at necessity-level entrepreneurs are able to support them, their businesses have the potential to generate local economic and employment benefits. In contexts with good access to secondary education, youth with the skills and education to be considered aspiring entrepreneurs may still be sufficiently vulnerable that they are pushed into entrepreneurship out of necessity as much as interest. While they are not likely to be a large share of “entrepreneurs of necessity”, aspiring entrepreneurs may still fit within the general profile closely enough to be included in programming, and their potential to add jobs to the local market may make them a strategic population to support.

Research into successful youth entrepreneurship programming indicates that, regardless of their income groups, youth commonly confront limitations and barriers to their entrepreneurial success in the following areas:¹

- skills
- business experience
- market access
- access to capital
- business networks
- supportive enabling environment
- awareness of relevant services
- age-related stereotypes
- lack of family and community support.

¹ Psilos, P., Galloway, T. (2018). *Entrepreneurship Programming for Youth: Evidence Report*. Washington, DC: USAID’s YouthPower Implementation, YouthPower Action, p. 12.

It is important to note, that in the Latin American context, young entrepreneurs from low- and middle-income households face even greater barriers than their wealthier peers in terms of resources, skills and networks. Youth in more advantaged households “tend to have had more exposure to business experience at an early stage, both from family and schooling.”² Youth from low- and middle-income backgrounds are less likely to have role models engaged in profitable enterprises and professional connections who can support them in establishing and operating successful businesses. Programs should seek ways to connect young entrepreneurs to more experienced businesspeople in their sector of interest, such as mentoring, and identify ways to support them in building professional networks, such as entering business exhibitions and professional associations.

A further important consideration for youth entrepreneurship programming is understanding participants' capacity to assess and absorb risk. Developmentally, youth is a creative and risk-taking stage of life, and youth who are living with parents or caregivers may have more capability than adults to take entrepreneurial risks, if they are in a position where their income is not essential to the household. If they are an important economic contributor, their ability to take risks that would affect their income is constrained. While there is great potential for learning and innovation at this stage of life, it can also pose challenges for youth in terms of their capacity to accurately assess risks and manage them effectively, engage in appropriate planning, and impulse control. Programs need to be prepared to support youth in learning good decision-making skills and how to analyze risks and develop risk mitigation strategies.

Which sectors have potential for new enterprises?

The risks associated with entrepreneurship are most likely to lead to rewards for youth when they start businesses in an underserved niche in a growing market. Entrepreneurs at any level will only succeed if they operate businesses that generate enough profit to sustain their business operations and personal expenses. This is only possible if the business operates in an industry or sector that has enough opportunities to allow this

success. Rather than training youth in popular or common businesses, or choosing training topics because an implementer already has capabilities in that area, a program should make use of tools and approaches that help orient entrepreneurship interventions towards industries or sectors in which entrepreneurs are most likely to succeed, and also give youth the tools to identify market opportunities for themselves.

A growth-oriented labor market assessment (LMA) with an opportunity overlay is a critical tool for creating context-appropriate, demand-driven youth entrepreneurship programming. A quality LMA led by an economist familiar with the local context will provide critical information about which sectors of the economy are growing and have the most opportunities for youth. The opportunity overlay seeks information about entrepreneurship as well as wage employment. It should also help identify challenges that youth may face in entering entrepreneurship, such as skills gaps and social and financial barriers to access. If an LMA like this exists for your programming context but does not provide sufficient analysis of opportunities for youth, it should still provide information about active sectors of the economy that are worth researching with a youth entrepreneurship lens. If you find it necessary to conduct or commission an LMA with opportunity overlay to inform program design, you may wish to refer to the interactive guide, [Key Approaches to Labor Market Assessment](#).

Since vulnerable youth are not likely to have strong professional networks to help guide them into profitable market niches, entrepreneurship programming can add significant value by building youth skills and knowledge of resources for identifying market opportunities. One way this can be done is by facilitating youth engagement in a mini-LMA of a particular market niche. Providing a question guide, or developing a question guide in conjunction with youth, and coaching them through the process of reaching out to businesses and other market actors offers a hands-on learning opportunity in gathering information, professional communication, and basic networking skill and could help identify and better analyze business opportunities.

² OECD/ECLAC/CAF (2016). *Latin American Economic Outlook 2017: Youth, Skills and Entrepreneurship*. OECD Publishing, Paris. <http://dx.doi.org/10.1787/leo-2017-en>, p. 202.

What works in entrepreneurship programming?

Training, while very important to young entrepreneurs' success, is not sufficient to overcome all the barriers that vulnerable young entrepreneurs face. There is promising evidence that "training-plus" approaches can be successful with youth entrepreneurs. Services that, in combination with training and education, show evidence of benefits to youth include:³

- Access to capital: Youth typically lack capital for business investments. They face barriers to financing their businesses that include lack of collateral, lack of credit history, limited savings, and perceptions of youth as credit risks. Programs can pursue a variety of paths to address this gap, such as working with finance institutions on youth-friendly products and providing grants and in-kind business start-up support.
- Mentoring: Working with a supportive adult who has experience relevant to a youth's professional interests provides many important opportunities. Youth can practice soft skills, such as professional communication, and they can begin establishing and growing their professional network. Mentors can open up new areas of opportunity for youth, such as connections to financing.

USAID's [What Works in Entrepreneurships Education and Training Programs for Youth? Evidence Report](#) offers greater insight into programming activities across different groups of potential entrepreneurs, based on a comprehensive review of evaluations, meta-analyses and systematic reviews, as well as expert interviews.



PROMISING PROGRAMMING: STEP Training

Individual entrepreneurial status and firm/business performance are the two most commonly generated sets of outcomes in the literature on entrepreneurship programming. Less is known about successfully generating and measuring changes in entrepreneurial mindsets and capabilities, but some interesting work is currently being done by [Student Training for Entrepreneurial Promotion \(STEP\)](#).

STEP has adapted a "personal initiative training" approach that has demonstrated effectiveness in improving entrepreneurial soft skills and business outcomes among adult entrepreneurs. The program is aimed at students who are not studying business and combines business skills with entrepreneurial mindset skills in a hands-on learning environment where students start and operate their own microbusinesses for the duration of the course. While most STEP training has been done in Africa, educational institutions in the Philippines and Mexico have also engaged in the curriculum to date. More information is available at www.step-training.com

³Entrepreneurship Programming for Youth: Evidence Report, p. 13.

References and other resources related to the topic

Numerous resources exist to help guide USAID staff in understanding the factors that will shape their program, and many more exist to engage entrepreneurs of all types. Below are links to a sample of these:

USAID resources

- Psilos, P, Galloway, T. (2018). Entrepreneurship Programming for Youth: Evidence Report. Washington, DC: USAID's YouthPower: Implementation, YouthPower Action. Found at: <https://www.youthpower.org/sites/default/files/YouthPower/files/resources/2.%20Entrepreneurship%20Programming%20for%20Youth%20-%20%20Evidence%20Report.pdf>
- Carmichael, J., Hole, R. (October 2019) "AGYW Employment: Programming Considerations for COP20 Guidance." YouthPower Action slide deck for OGAC. NOT YET PUBLISHED.
- Guide to Cross-Sectoral Youth Assessment (2009). Israel, R., Stern, B., Ignatowski, I., eds. Washington, DC: Education Development Center, USAID EQUIP3. Found at: <https://www.youthpower.org/sites/default/files/YouthPower/resources/Guide%20to%20Cross-Sectoral-%20Youth%20Assessments.pdf>
- Youth Compass: A Strategic Guide to Strengthen Youth Activities. Washington, DC: USAID's YouthPower: Implementation, YouthPower Action. Found at: <https://www.youthpower.org/resources/youth-compass-strategic-guide-strengthen-youth-activities>
- Sarkar, M, Povec Pagel, R. (May 2019) Measuring Employment Earnings Using the Workforce Outcomes Reporting Questionnaire (WORQ): A Toolkit. Education Support Initiative, USAID. Found at: <https://www.edu-links.org/resources/guidance-note-measuring-youth-employment-outcomes>

Context resources

- The Global Entrepreneurship Monitor (GEM). Found at: <https://www.gemconsortium.org/>
- Bacigalupo, M., Kampylis, P., Punie, Y., Van den Brande, G. (2016) European Union EntreComp: Entrepreneurship Competence Framework. Luxembourg: Publication Office of the European Union. Doi 10.2791/593884. Found at: <https://publications.jrc.ec.europa.eu/repository/bitstream/JRC101581/Ifna27939enn.pdf>
- Aspen Network of Development Entrepreneurs (ANDE). Found at: <https://www.andeglobal.org/>

Market assessment tools

- FAO Market Analysis and Development Participatory Training Approach. Found at: <http://www.fao.org/forestry/enterprises/25492/en/>
- Key Approaches to Labor Market Assessment: An Interactive Guide. Found at: <https://www.youthpower.org/key-approaches-labor-market-assessment-interactive-guide>
- Noronha, T. (April 2019). Putting Youth in the Lead: Technical Guidance for Youth-Led Market Assessments. Produced by Mercy Corps as part of the SCALE Award. Found at: https://www.fsnnetwork.org/sites/default/files/SCALE%20Youth%20Brief%20April%2029_2019.pdf

Additional resources

- Crawford A., Acceleration Group. (May 2017). An Ecosystem Model for Credentialing Entrepreneurs. RTI and the Global Center for Youth Employment. Found at: <http://gcyerti.com/wp-content/uploads/2017/07/An-Ecosystem-Model-for-Credentialing-Entrepreneurs.pdf>

YouthPower Action

YouthPower Action supports and advances USAID's Youth in Development Policy through evidence-based positive youth development programming across all sectors and country contexts by providing technical assistance to USAID Missions and operating units. YouthPower Action's activities increase youth engagement and youth voice to strengthen USAID's positive youth development programming. YouthPower Action supports USAID missions and operating units through a flexible buy-in mechanism.

This report is made possible by the support of the American People through the United States Agency for International Development (USAID) under task order contract number AID- OAA-TO-15-00003, YouthPower Action under IDIQ contract number AID-OAA-I-15-00009, YouthPower: Implementation. The contents of this report are the sole responsibility of FHI 360 and do not necessarily reflect the views of USAID or the United States Government.

For more information, contact:

Elizabeth Berard

Task Order Contracts Officer's Representative

eberard@usaid.gov

Kristin Brady

Project Director for YouthPower Action at FHI 360

kbrady@fhi360.org