



## Session 2 - Youth as actors of economic change

With 25% of the region's population aged between 15 and 29, Latin America and the Caribbean have an important demographic opportunity to revive their economies by investing in youth. This first generation born and raised in democracy faces a gap between high expectations driven by a decade of sustained economic growth, and actual poor outcomes for social prosperity. To foster further youth inclusion, governments need to tackle the multiple dimensions of exclusion through youth-oriented policies, taking into account elements such as limited access to decent employment, education, health services and civic participation.

Undeniably, education and skills represent a significant engine of economic growth and are a source of equality and social mobility. In the last decade, the percentage of Latin Americans aged between 15 and 64 who have only completed primary education or less has fallen from 34% to 21%<sup>1</sup>. At the same time, the percentage of the population with at least some tertiary education increased from 16% to 23%<sup>2</sup>. Despite this strong expansion of access to education, substantial challenges remain, largely related to completion, quality and financing. Moreover, the region has the widest gap between the pool of available skills and the skills required by economies and businesses.

Out of 163 million young people living in the region, one fifth (approximately 31 million) work in informal jobs and 33 million young Latin-Americans are not engaged in employment, education or training (NEET)<sup>3</sup>. Better policies to improve the transition from school to work can also play a key role in fostering decent work as most young people leaving school enter inactivity or informal low-quality jobs.

Entrepreneurship has been another engine to foster employment and living conditions amongst youth. It can enhance their capacity to integrate labour markets and deliver benefits in terms of earnings and developing new skills. Entrepreneurship in the region is characterised by high-growth entrepreneurs, but also a relatively high share of subsistence activities, higher than in OECD countries. While the former contributes the most to the country's productivity growth, subsistence entrepreneurship helps poor young Latin-Americans to cope with informality, scarce jobs, and the complex array of public regulations and taxation.<sup>4</sup> In Latin America, one fifth of the youth population plan to start a business in the next 12 months<sup>5</sup>.

Yet, youth in the region have several constraints to develop entrepreneurial activities. As they operate mainly in the informal sector, young entrepreneurs do not have adequate access to finance. The lack of corresponding skills undermines both young workers' prospects of integrating the labour market and their capacity to seize entrepreneurial opportunities. Moreover, entrepreneurs in Latin

---

<sup>1</sup> OECD/CAF/ECLAC (2016), *Latin American Economic Outlook 2017: Youth, Skills and Entrepreneurship*, OECD Publishing, Paris. DOI: <http://dx.doi.org/10.1787/leo-2017-en>

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

<sup>4</sup> IDB-WB (2014), *Entrepreneurship in Latin America: A Step Up the Social Ladder?*, Lora E. and F. Castellani (eds.), Inter-American Development Bank and World Bank, Washington, DC.

<sup>5</sup> Gallup (2016), *Gallup* (database), [www.gallup.com](http://www.gallup.com) (accessed June 2016).

# 2017

## FORO ECONÓMICO INTERNACIONAL DE AMÉRICA LATINA Y EL CARIBE



America are disconnected from international and regional business networks as most of them participate only in local or national value chains. Regulations can also pose a significant barrier for young entrepreneurs. The cost and time needed to register and start up a business in Latin America are among the main obstacles to their development.

Nevertheless, these barriers can be tackled by designing and implementing smart public policies. Mexico and Chile, for example, simplified the procedures for start-ups through a law that recognises the use of an electronic signature for business creation (*Ley de Empresas en un Día*). The Ibero-American Centre for Entrepreneurship and Innovation fostered the development of business networks in Costa Rica to connect small and big companies. Furthermore, Argentina developed a public procurement programme for a USD 35 billion infrastructure plan that includes measures favouring small- and medium-sized enterprises and facilitating joint ventures, technology transfers and capacity building programmes.

Policy makers, young entrepreneurs and multinational companies operating in the region will gather for this session to discuss the main challenges faced by young Latin Americans to access the labour market and engage in entrepreneurial activities. Participants will also consider different public policies to cope with these obstacles.

### Questions for discussion

- What will it take to make youth entrepreneurship a force for economic transformation in Latin America?
- Which policies are the most effective to improve the transition from school to work? How important are vocational and technical education in this process?
- How can governments and the private sector ensure adequate finance for young entrepreneurs to start and grow their businesses?
- How can big companies contribute to the creation of business networks to foster youth entrepreneurship in the region?