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LABOUR AND  
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**Policy Recommendation on Promoting  
Entrepreneurship and Support MSMEs as  
Job Creation Instruments**



# **Policy Recommendation on Promoting Entrepreneurship and Support MSMEs as Job Creation Instruments**

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### **Policy Recommendation on Promoting Entrepreneurship and Support MSMEs as Job Creation Instruments**

High unemployment and the changing labour conditions due to the COVID-19 crisis made employment creation a major focus for a number of G20 member countries. G20 countries are starting to build a more inclusive and greener economy fit for the future, where everyone can fulfil their potential and gain the skills, training, and experience they need to access high-quality, secure, and sustainable jobs. However, some continue to struggle with limited fiscal capacity to encourage employment creation and absorb the unemployed and new participants into the labour market. In this respect, Entrepreneurship is an important source of job creation. In all countries, most enterprises are micro, small and medium-sized enterprises (MSMEs), and they play an important role in the economy. Over two-thirds of global employment is found in self-employment, and micro and small firms, where productivity gaps with larger enterprises are the widest and decent work deficits the most pronounced. In addition, eight out of ten economic units are informal; thus, jobs in these enterprises are generally informal and often have limited opportunities for decent work.

The COVID-19 crisis has had a disproportionately negative impact on MSMEs than large enterprises. Women or youth-led MSMEs have suffered often from the COVID-19 crisis, partly due to the sectors in which they mostly operate or lack of experience and resources. In addition, micro-and informal enterprises often need further support schemes from the government. MSMEs can be agile and adapt rapidly to change but tend to have weaker resilience than larger enterprises when exposed to deep economic shocks. This can be because of their more limited access to production factors due to financial constraints, poorer management skills, and lower economies of scale. Furthermore, they tend to be more vulnerable to unstable market conditions and uncertain business environments.

The constraints to sustainable growth and quality employment creation that entrepreneurs and MSMEs have faced during and in the aftermath of the COVID-19 crisis are substantive and inter-connected.

To promote entrepreneurship and MSMEs as job creation instruments, we agree to the following policy recommendations in coordination with other ministries and social partners, which can be adapted to our national circumstances with a focus on vulnerable groups and using a gender-responsive approach:

#### **Support a conducive business environment and enterprise formalisation**

1. Promote and support equitable, high quality, affordable and inclusive digital infrastructure to support MSMEs to help their business grow.
2. Simplify the business environment through integrated government business registration, permits and licensing services. Consider appropriate channels and messaging on these procedures to ensure that MSMEs from different sectors, locations, sizes, and ownership are aware of and can access required procedures and services.



3. Facilitate and encourage the formalization and growth of MSMEs by reviewing regulations and support programs, notably through simplified registration and legal statutes, incentives, awareness-raising, and direct support such as financial and technical support.

### **Promote entrepreneurship and entrepreneurial training**

4. Develop a network of incubators, including community-based organisations and business development service providers, to support enterprise creation and strengthen existing MSMEs' entrepreneurial, management, networking, marketing capabilities, and innovation capacities.
5. Encourage greening efforts by entrepreneurs and MSMEs to adopt more environmentally sustainable production processes and create green jobs through information campaigns, training, and dedicated financing tools, including presenting a business case to small and micro enterprises.
6. Promote vocational training options that provide tools for quality entrepreneurship management, and technical assistance for the development, consolidation or formalisation of productive entrepreneurship.
7. Facilitate digital and other relevant skills development services for entrepreneurs and MSMEs and the overall digital transition through the deployment of lifelong learning programs.

### **Help entrepreneurs and MSMEs address challenges and sustain their development.**

8. Engage government and closely involve the private sector and social partners to determine and address the root causes of low productivity and decent work deficits including a comprehensive ecosystem approach by coordinating interventions at the national, sectoral, and enterprise level.
9. Promote financial inclusion through a regulatory framework that allows fintech institutions to develop while ensuring financial consumer protection, speeding up business recovery, and alleviating liquidity problems of entrepreneurs and MSMEs.
10. Support financial technologies in simplifying MSMEs' business and managerial processes.
11. Promote the development of new and innovative approaches to support green entrepreneurship and MSMEs' green transitions.



**Protect the rights and interests of entrepreneurs, MSMEs, and their employees**

12. Promote and support gender-responsive and gender-transformative policies and programs to eliminate gender-based barriers limiting women's full participation in entrepreneurship.
13. Develop and strengthen initiatives to enable and encourage persons with disabilities and other vulnerable groups to be part of entrepreneurship promotion and MSMEs' development agendas.
14. Ensure the inclusion of MSMEs and entrepreneurs in social security programs.
15. Encourage job creation and inclusion in the labour market through incentive programs for MSMEs that promotes the hiring of young people, women, and persons with disabilities.
16. Protect the labour rights and working conditions of the employees of entrepreneurs and MSMEs in line with the ILO's framework of fundamental principles and rights at work.