



## **Inter-Agency EGM on Employment and Decent Work for Poverty Eradication, in Support of the Second UN Decade for the Eradication of Poverty (2008-2017)**

4-6 May 2016; Bangkok, Thailand

### **Review of progress made by UN system in implementing the Second Decade - II and alignment of inter-agency work with the implementation of the 2030 Agenda for Sustainable Development**

#### ***"Fighting Poverty through Industrialization and Productive Activities"***

##### **Context**

The eradication of poverty in all its forms and dimensions remains the greatest challenge. It therefore constitutes the ultimate objective of all development agendas, and has been anchored as the first Sustainable Development Goal (SDG 1) in the “2030 Agenda for Sustainable Development”. Priority actions to eradicate poverty include providing universal access to basic social services and developing social protection systems, as well as improving the livelihoods of those who bear the consequences of poverty by improving the opportunities for productive activity and income generation.

Failure to create opportunities for employment and productive activity to empower the working age population, which is forecasted to increase significantly until 2050, will only exacerbate the obstacles to eradicating poverty, and may lead to an increase in social tensions and unrest. Such a reality can also lead to economically driven migration toward countries offering better employment opportunities, which, again, has the potential to create social strains and economic pressures within the receiving communities.

Poverty eradication through employment creation also lies at the core of UNIDO’s mandate of promoting Inclusive and Sustainable Industrial Development (ISID), which was reconfirmed with SDG 9 being introduced into the 2030 Agenda, which calls for building resilient infrastructure, promoting inclusive and sustainable industrialization, and fostering innovation. It also strongly resonates with SDG 8, which aims at promoting sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all. This in turn highlights the interrelated nature of all goals, and the importance of not viewing the different goals and their targets in isolation. Promoting industrialization and thus ensuring inclusive and sustained economic growth and structural transformation aims at harnessing industry’s full potential to contribute to lasting prosperity for all. Thus, by promoting ISID, UNIDO contributes greatly to the fight against poverty and the implementation of the 2030 Agenda. Technical assistance and



services provided by UNIDO aim at improving the opportunities for productive activities and increasing the share of employment, with particular attention being given to the most vulnerable groups of society, particularly youth and women.

### **Increasing productive activity through industrialization – promoting ISID**

With a constantly increasing global population, and thus a steady growth in the working age population, predominantly in the developing and least developed countries, there is an urgent need to support the creation of employment and decent work opportunities for those currently unemployed, inactive or outside of formal training or education as well as the newcomers, with a view to ensuring that the number of those facing poverty does not increase. In LDCs, for example, currently about 80% of the active labor force is unemployed, underemployed or vulnerably employed, and that about 60% of those employed earn one dollar per day or less and continue to live in extreme poverty.

Industrialization, and the structural transformation that comes with it, is recognized as one of the main drivers of sustained economic growth and sustainable development, given the forces it sets into motion towards modernization through innovation and improvement of livelihoods through income generation. Manufacturing – broadly defined to include formal, informal and manufacturing-related services –, offered almost 470 million jobs in 2009, employing around 16 percent of the world's workforce of 2.9 billion. A broader understanding of the interconnections between manufacturing and producer services is necessary to fully assess the impact of manufacturing on employment creation. Manufacturing firms are increasingly outsourcing their non-core operations, such as warehousing, transport, human resource management and information technology, but manufactured products are increasingly bundled with a host of services and after-market functions. Thus the potential industry holds for employment creation is far from negligible. Manufacturing industries and their related services sectors can absorb large numbers of workers, provide them with stable jobs and increase the prosperity of their families and communities. Therefore, only those economies that have the ability to constantly generate new activities based on upgrading to higher levels of value-addition, higher productivity, or higher returns to scale can sustain stable jobs and increase prosperity for a growing share of the population.

ISID, as promoted by UNIDO, builds on the notion that economic growth is driven by entrepreneurship, continuous economic diversification, growing trade relations, industrial upgrading and technological innovation. It is based on the premise that poverty can only be eradicated, and the social challenges associated with prevailing poverty can only be addressed, by achieving strong, inclusive, sustainable and resilient economic industrial growth, and effectively integrating the economic, social and environmental dimensions of sustainable development. Therefore, ISID strategies need to consider poverty reduction and the creation of decent employment for all segments of society - in particular vulnerable groups, youth and women, and



rural populations -, especially through the promotion of SMEs and agribusiness, and the strengthening of national capacities for the development of industrial policies that pursue economic and social inclusion.

### **Private sector development and employment**

Employment generation comes primarily through the development of a thriving private sector. It is the private sector that provides the greatest opportunities for employment generation and innovation, as well as for structural transformation and industrialization, and has therefore been recognized as the driving force for sustainable and inclusive economic growth and the eradication of poverty. Small and medium-sized enterprises (SMEs) are widely recognized as the backbone of the private sector; they are the missing link to sustainable economic growth and are crucial for addressing inequality and ensuring greater inclusiveness<sup>1</sup>. SMEs make up over 90% of enterprises in the world and account for 50-60% of employment, and when engaged in manufacturing, account for 40-80% of manufacturing employment. However, in developing countries, and in LDCs in particular, the private sector is often split into two segments, with large enterprises on the one hand, and micro and small enterprises (often in the shadow economy) on the other hand, with a “missing middle” of SMEs.

Therefore, private sector development is crucial as it promises to translate into improved social and economic participation, particularly of women and youth. Especially the development of SMEs is decisive, as they present a highly promising solution toward the eradication of poverty, often offering the only prospects for employment generation and value-added. However, SMEs in developing countries are often ill-equipped to compete effectively in global, regional and domestic markets. In light of this, clusters are particularly promising environments for SME development and to foster innovation, as they enhance enterprise competitiveness through the realization of economies of scale and thereby allow enterprises to take advantage of market opportunities. Adopting a clusters development and business linkages approach to promote private sector based pro-poor growth allows the creation of an enabling environment which encourages the social and economic participation of all groups of society, including youth and women.

Entrepreneurship and SME development in creative industries provides an additional potent solution to employment generation and the improvement of economic and social empowerment, also of youth and women. Promoting creative industries builds on the idea of nurturing the creativity that is rooted in a country's or a region's cultural heritage, and on fostering innovation for local development. This is foreseen to translate into improved economic performance by capitalizing on the local skills and knowledge inherited over generations, and into improved resilience of these communities. By cooperating with fellow entrepreneurs, SMEs in

---

<sup>1</sup> ITC SME Competitiveness Outlook 2015: Connect, Compete and Change for Inclusive Growth  
[http://www.intracen.org/uploadedFiles/intracenorg/Content/Publications/SME\\_Comp\\_2015\\_Jan\\_version\\_low\\_res.pdf](http://www.intracen.org/uploadedFiles/intracenorg/Content/Publications/SME_Comp_2015_Jan_version_low_res.pdf)



creative industries are likely to attract the national and international interest, access local and foreign markets and form mutually beneficial cross-border partnerships.

The value of developing public-private partnerships has been widely recognized, as they are critical drivers for the development of enterprises, particularly of SMEs, as they can contribute to productive capacity building and skills development. They complement efforts by international organizations and financial institutions in enhancing productive activities, especially for youth and women. Such partnerships can, amongst other things, contribute to providing startup funding, to training and skills development for enterprise management, to promoting the establishment of production cooperatives, to promoting networks among women's enterprises, and to facilitating knowledge and technology transfer, which can help in developing appropriate mobile phone applications and other useful technologies.

To support the improvement of productive capacities in industries with a view to improving livelihoods and eradicating poverty, UNIDO recognizes the importance of private sector development, and works on strengthening existing as well as potential clusters and industrial value chains that may serve as effective sources of employment generation. This is in line with UNIDO's job creation approach, which foresees the creation and growth of innovative, resilient and competitive enterprises.

### **Promoting youth and women entrepreneurship**

The importance of strengthening the economic empowerment of youth and women to improve their social and economic participation has been widely acknowledged. Harnessing the potential of youth and women as drivers of innovation, and thus as drivers of inclusive and sustainable economic growth, development and structural transformation is crucial. In particular, the economic empowerment of women merits emphasis, as women hold great potential as untapped sources for growth, prosperity and poverty reduction.

Self-employment and entrepreneurship of youth and women have been increasingly recognized as key to employment generation, and consequently to improving economic and social participation, and achieving sustained, inclusive and sustainable economic growth. Entrepreneurship unleashes their innovative and economic potential, as young entrepreneurs especially are very responsive to new economic opportunities and trends. Entrepreneurship also allows youth and women to be agents of change for their communities and societies at large. Given the obstacles which youth and women have had to, and still have to, overcome, existing and aspiring entrepreneurs as agents of change can address an array of social and economic issues experienced in their communities, as they tend to be more socially aware of the challenges faced by those who are marginalized or excluded from social and economic participation. Youth and women thus increasingly engage in social entrepreneurship.

Positive changes induced by youth and women through socially aware enterprises include:



- Increase in employment opportunities, thereby contributing to improved social and economic participation of youth and women. Creating opportunities for self-employment for youth and women is likely to translate in to an increased creation of employment opportunities for other youth and women, thereby reducing social strains which have been identified to cause instability, insecurity, and increased numbers of economically driven migration;
- Fostering local development, and generating innovation through increased entrepreneurship;
- Helping youth and women to develop new skills that can be applied to other challenges in life;
- Improving the resilience of communities through economic and social empowerment of youth and women, and thereby addressing social challenges experienced in many developing countries, which include instability, conflicts, and economically driven migration.

However, youth and women entrepreneurs suffer from uneven support. Institutions and formal structures often do not cater to the needs which characterize these two groups in society, with respect to, amongst other things, education or access to financial and non-financial services. Therefore, UNIDO highlights the importance of the need to promote youth and women entrepreneurship. Encouraging the creation of productive activities and ensuring decent work for youth and women is in line with UNIDO's mandate of promoting ISID, as it supports the creation of enabling environments which foster innovation, skills and knowledge transfer and are conducive to the needs of aspiring and existing young entrepreneurs, both male and female.

### **The role of UNIDO in poverty eradication through employment creation**

Through the formulation and implementation of strategies that support the promotion of Inclusive and Sustainable Industrial Development, UNIDO plays a key role in addressing the challenges of poverty eradication through employment creation. UNIDO's mandate builds on the notion that countries will only be able to achieve sustained, inclusive and sustainable development by going through a structural transformation and achieving higher levels of industrialization, whereby industry serves as fundamental source of employment, is a key driver of innovation, and provides valuable nourishing grounds for resilient and competitive enterprises.

To that effect, UNIDO supports capacity building initiatives and partnerships as well as the sharing of knowledge and best practices to promote the creation of an enabling environment for job creation.

The following activities are undertaken by UNIDO to support the industrial development of countries at a general level:



- Through technical cooperation, UNIDO designs and implements projects that build the capacity of Member States to initiate and carry out their own programmes in the field of industrial development;
- UNIDO conducts applied economic research and provides tools to shape appropriate industrial strategies and policies that improve the contribution of industry to the achievement of development goals;
- UNIDO assists Member States in complying with a number of existing and emerging international standards on product quality, safety, health and environmental impact;
- UNIDO brings together Member States, private and public sector institutions, civil society, academia and other relevant partners to establish dialogues and form partnerships.

With specific regard to employment creation, and enhancing countries' productive capacities with a view to eradicating poverty, UNIDO undertakes the following activities:

- It provides technical assistance to governments and support structures in the identification of clusters, strategic sectors and industrial value chains with high growth and job creation potential;
- It provides technical assistance to governments and support structures to improve the financial and non-financial services provided by them to existing and aspiring entrepreneurs, including services that cater to the needs of youth and women entrepreneurs, both in the pre-creation and post-creation phases;
- It provides services that are geared towards improving the employability of the working-age populations, particularly of youth and women, such as assistance for skills development, vocational training and capacity-building for entrepreneurship;
- It supports local communities in creating an entrepreneurial culture, and brings together stakeholders to engage in a dialogue to raise awareness of the benefits of promoting youth and women entrepreneurship, and the importance of investment in existing and aspiring entrepreneurs;
- It encourages the creation of multi-stakeholder partnerships for the development of an entrepreneurial ecosystem (private and public sector, civil society, international organizations and international financial institutions).