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## Between neoliberal policies and unemployment



Sources: Wambra Community Media - Image: Vilmatraca

In Ecuador, according to Enrique Crespo, Executive Director of the Economic Promotion Corporation, Conquito, 8 out of 10 ventures are subsistence; that is, people "unemployed, in a situation of human mobility, or in a situation of vulnerability" who decide to open a small business or venture to solve their needs.

Ecuador is one of the countries in Latin America with the highest percentage of people starting a venture, according to the report of the [Global Entrepreneurship Monitor](#) Ecuador, 2019-2020. Most of the ventures in the country arise from the need of people to find livelihoods for their survival in the absence of adequate employment.

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Hence, in the campaign and in presidential speeches, the word entrepreneurship and several promises for entrepreneurs are heard. Former President [Lenin Moreno](#), for example, said on August 2, 2019: "We are a country of entrepreneurs, necessity obliges. That is why you see that, in Guayaquil, a 'monkey' - forgive me the term, I do not say it in derogatory terms - has already bought a queue, some plastic cups and is selling in a soda corner, or he put a grill to roast bananas or roast yucca, that is in the very essence of Ecuadorians. "

Similarly, Guillermo Lasso among his [campaign promises](#) spoke of reducing to less than a week the procedures to open a business and lowering taxes for small businesses. Already in government, he implemented a low-interest credit policy for women's enterprises, agriculture and small industry, which he said could even serve small sectors of the economy as "someone who wants to sell candies and cookies in a patent leather."

But how is entrepreneurship promoted in Ecuador? How is entrepreneurship part of neoliberal economic policy?

### **What do we mean by entrepreneurship?**

"You're recursive, you run out of work and you look for what to do. He falls in love with his venture, tries to get it out and grow." This is told by Sonia, a Quito woman who is dedicated to the elaboration of cookies for humans and animals together with her son. Both are pastry chefs, but do not have a stable job; that's why 4 years ago, they started their business.

A similar situation exists Zoila Sánchez. She started a ceramics and porcelain figures venture after leaving her job as a seamstress due to health problems. Zoila considers herself an entrepreneur "because it's all handmade. It is not taken to mold, everything we work manually. It is a venture because I also get from this for my family's expenses," he says.

In Ecuador, according to Enrique Crespo, Executive Director of the Economic Promotion Corporation, Conquito, 8 out of 10 ventures are subsistence; that is, people "unemployed, in a situation of human mobility, or in a situation of vulnerability" who decide to open a

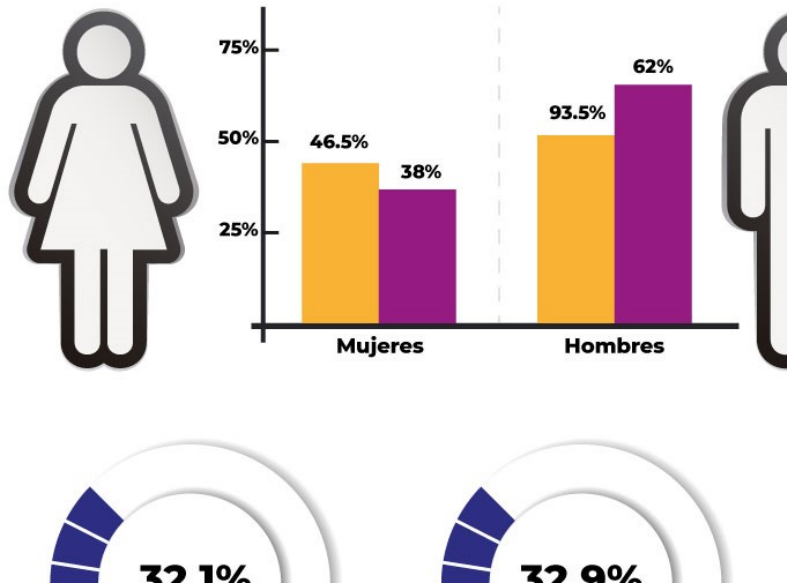
small business or venture to solve their needs. Microenterprises are businesses whose sales per year do not exceed 100 thousand dollars, can have from 1 to 10 employees or employees and be legally or informally constituted.

Most of these businesses, says Crespo, are related to food, or to activities that people know how to do and are characterized, in addition, because they involve or work people from the same family; hence they are called subsistence enterprises because "they do not last over time or have the capacity to grow outside a very limited family nucleus".

The high number of subsistence enterprises makes Ecuador lead these figures at the level of the region. In 2019, around 3.6 million Ecuadorians were involved in the start-up of a business, according to the report of the [Global Entrepreneurship Monitor](#) Ecuador, GEM, 2019-2020. According to this report, in 2019, the Rate of Early Entrepreneurial Activity or TEA was 36.2%. AsD counts "all adults who are in the process of starting a business or have started one that has not exceeded the 42-month threshold." The GEM report also highlights as characteristics of the entrepreneur in Ecuador that it is men who in greater numbers start a business and have more opportunities to maintain it, in relation to women. Most ventures are related to trade and the provision of services, while 3 out of 4 entrepreneurs offer products and services that already exist.



## Características del emprendedor en E



But, although the TEA shows good figures, there is not much to be happy about since, just as a lot of businesses start, others also end. The GEM 2020 report points out that, the country had an exit rate of 9.3%, that is, of people who closed their business. In other words, while there were many people motivated to start a venture and others who did, at the same time, there was also a high number of people who closed it and others who did not finish it.

Enrique Crespo de Conquito recognizes that there are many types of subsistence enterprises in the country and that they are "an important part of the economy", however, he assures that entrepreneurship is more than small subsistence businesses. For Crespo there is a misuse and a romanticization of the terms entrepreneurship and innovation, which he mentions, can lead to "promoting a wrong approach to development". Entrepreneurship, says Crespo, are initiatives with a large economic investment in undeveloped sectors of a country's economy or that produce added value on goods or services that already exist, recalling the definition of the Organization for Economic Cooperation and Development.

In addition, he mentions that this type of ventures are designed for the long term and are led by people with high academic training and stable resources. Entrepreneurship projects that transform the economy "have to go through the cycle of science, technology and innovation and that cannot be done by anyone." Conquito, for example, financially supports productive projects in conventional sectors "but that do something different", and in innovation or sustainable projects.

### **Entrepreneurship as a strategy to unemployment**

The COVID 19 pandemic, according to the economist and professor at the Simón Bolívar Andean University, Pedro Montalvo, brought with it "a direct impact on the issue of employment, production and economic conditions", causing a very strong contraction, similar to that which occurred in 1999, due to the bank holiday and dollarization.

The economic contraction due to the pandemic implied a reduction or fall in the production of goods and services of 7.8 percentage points in the Gross Domestic Product. In 1999, the contraction of GDP was 6.3 points. This fall in GDP implies that production falls, companies cannot sell their goods or products, unemployment grows and with it, the economic income in families that they can no longer consume.

The economically active population in Ecuador reaches 8,557,854 people, of which 8,242,866 are employed, according to figures from the [National Survey of Employment, Unemployment and Underemployment](#) (ENEMDU) 2022, conducted by the National Institute of Statistics and Censuses, INEC. However, within this statistic we find different types of employment: full employment, underemployment, unpaid employment, and unclassified employment.

Only 2,843,061 Ecuadorians have full employment. For Pedro Montalvo, having full employment means "that the person who is working has a remuneration that is in accordance with the law, that is, complies with a minimum wage established by the norm" and social benefits and social security are recognized.

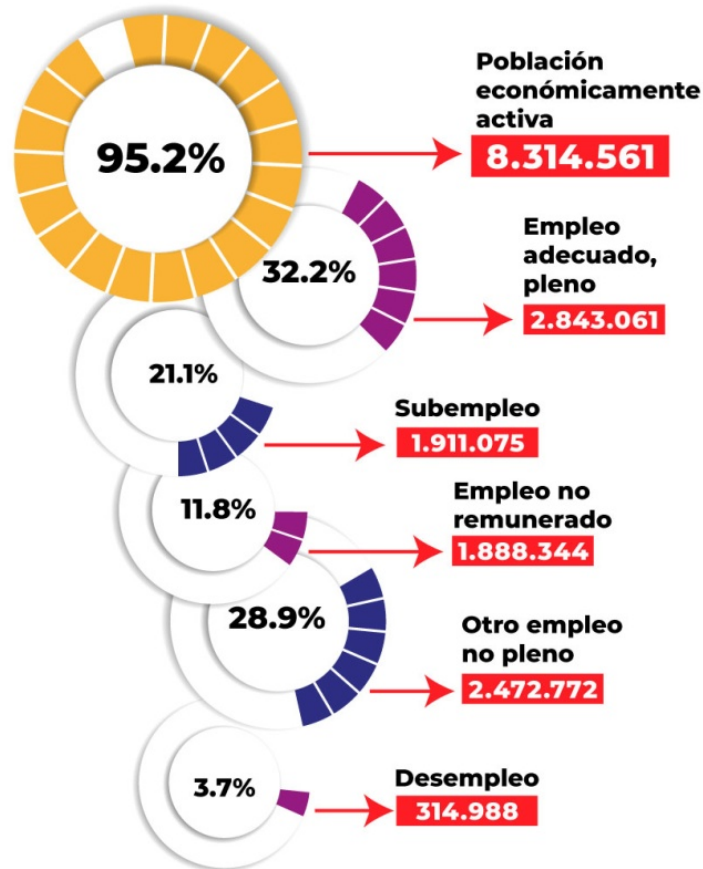
While 5,399,805, the remaining people are in underemployment, in non-full employment and unclassified employment. The national unemployment rate for May 2022 was 3.7%. In other words, 314,988 people were unemployed.

Both unemployment and underemployment have fallen compared to the first months of the year. If we compare the underemployment figures in April and May, we have that in 2,041,359 people were underemployed in April and by May, the figure was reduced by 1,888,344. However, the number of unpaid employment (1,011,882 people), other non-full employment (2,472,772) and unclassified employment (26,807) has grown; that is, jobs with wages below the minimum wage and with fewer hours of the legal day increased, reaching 3,511,461 people.

According to the economist Montalvo, the lack of adequate employment drives entrepreneurship activities; so that 80% of people who do not find an adequate job or do not enter the formal labor market, become entrepreneurs.



## Cifras de empleo, desempleo y subempleo Ecuador (mayo 2022)



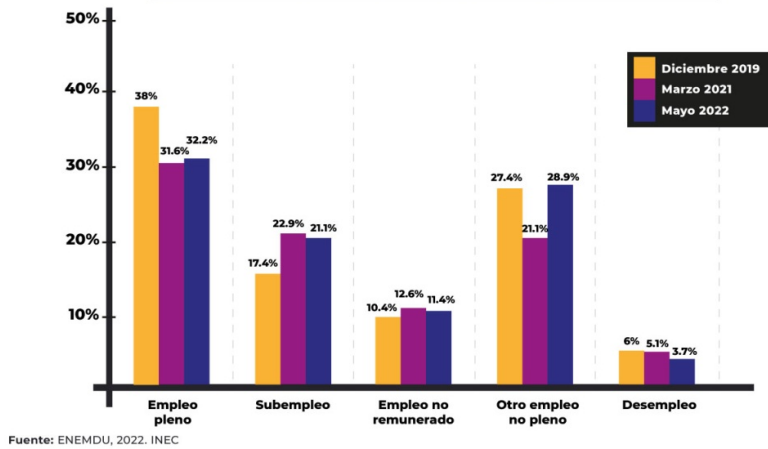
Fuente: ENEMDU, 2022. INEC

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Full employment figures have improved compared to the month of May 2021 (30.2%), although they still do not reach the levels recorded before the COVID19 pandemic (38.8% Dec. 2019).



## Comparación de empleo, desempleo y subempleo pre y post pandemia



Fuente: ENEMDU, 2022. INEC

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Men are the ones who have a higher percentage of adequate employment 36.2%, compared to women who reached 27.8%, in May 2022. They also receive a better average labor income (UDS 453.6) than women receive (UDS 412.3). Underemployment was 23.0% for men and 20.8% for women. While unemployment in women reached 4.5%, and in men it stood at 3.1%.

Unemployment after the pandemic impacted women more than men, going from December 2019 from 4.6% to September 2020, to 7.5%

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