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YOUTH EMPLOYABILITY and ENTREPRENEURSHIP in AFRICA

Dakar, Senegal

January 23-25, 2013

Youth Enterprise: Inhibiting Factors and Opportunities

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Introduction and Context of Study

This study offers a synthesis of the results from the “Sub-Sectoral Study on Market Access Inhibiting Factors and Opportunities” – a study commissioned by the Youth Enterprise Development Fund in Kenya.

The data for the study was collected during the month of August, 2012.

The primary aim of this research was to establish the challenges faced by young entrepreneurs in accessing markets for their products and services in different sectors of the economy; and to identify opportunities for the development of strategic marketing and market linkage arrangements for young entrepreneurs in Kenya.

The aim of this study is to examine aspects of vulnerability and livelihoods that influence new enterprise creation on the one hand and formalisation on the other.

This analysis is thus intended to support empirical development of the subject under inquiry and generate practical implications.

Purpose

The primary aim of this study is to examine aspects of vulnerability and risk that influence enterprise creation, growth and development.

This analysis is thus intended to support empirical development of the subject under inquiry and generate practical implications.

The analysis uses the CARE Livelihoods Framework as the conceptual tool in order to investigate the effect of a range of explanatory variables on self employment and formalization.

Research Objectives and Questions

The broad objective of this research is to investigate on factors that affect youth enterprise in Kenya. In investigating the experiences of youth entrepreneurs, this study examines aspects that influence enterprise creation and development in terms of formalisation.

The following comprised the research questions:

1. Does unemployment predict self-employment?
2. Does vocational training predict self employment?
3. Do business skills influence desirability for formalisation?
4. Do infrastructure conditions influence desirability for formalisation?
5. Do socio-cultural dynamics influence desirability for formalisation?

Research Methodology

This study employed a quantitative methodology approach, which covered a nationally representative sample of the youth population in Kenya (18 to 34 years) derived from the latest National Population and Housing Census.

The survey sample constituted 5000 respondents, distributed using “disproportionate stratified sampling” to ensure that the sample is representative.

In drawing the sample, the target population was stratified into geographical sub-groups, using the counties as the stratification variable.

Accordingly, the sample design was intended to enable a minimum sample of 80 for each of the 47 counties in order to minimise the variability within, and at the same time maximise the diversities between the geographical strata.

Sample Design

In drawing the sample, the target population was stratified into geographical sub-groups, using the counties as the stratification variable.

Following, the method of “optimal allocation” was used to distribute the sample across the counties, taking into consideration the population and variance among the respective sampling units.

To that regard, a four-cluster distribution scheme used was employed as follows:

- ✓ Cluster 1 county (only Nairobi - population above 1 million) received a sample of 400.
- ✓ Cluster 2 counties (population of 0.5 to 1 million) received a sample of 120.
- ✓ Cluster 3 counties (population of 0.25 to 0.5 million) were accorded a sample of 100.
- ✓ Cluster 4 counties (population below 0.25 million) were accorded a sample of 80.

This is disproportionate distribution was done deliberately so as to ensure that sufficient sample coverage for each county, taking cognizance that a blanket Probability Proportionate to Size (PPS) distribution of may not have yield a sample big enough to detect reasonable sub-sector economic activities at these domains.

As such the sample was subjected to post-stratification weighting to correct this imbalance.

Sample Profile

Total Sample: N=4887

	%	N
Setting		
Rural	59	2863
Urban	41	2024
Gender		
Male	48	2357
Female	52	2529

	%	N
Education		
No formal education	3	155
Primary	29	1420
Secondary	41	2004
Tertiary	18	866
Undergraduate	5	249
Postgraduate	2	74
RTA	2	118

	%	N
Employment status		
Self employed /Business	77	3762
Employed	5	267
Both Employed & Self-employed	9	454
Unemployed (looking for work)	2	116
Unemployed (not looking for work – e.g. student, housewife)	5	241
No response	1	47

Age		
18 – 24	29	1423
25 to 29	37	1811
25 to 29	29	1431
No response	5	221

Procedure

A descriptive analysis has been performed to determine the average score and the statistical significance of the variance of sub-samples.

Given that are nominal variables are used, Pearson Chi square statistic is performed to check assess the statistical significance of the variance of sub-samples.

By statistical convention, P-value of 0.05 is taken to be significant, indicating association between the indicator and the specified variables.

Research Problem

✓ With high expectations for youth employment, the issue of how to generate employment remains important.

✓ A range of macroeconomic policies have been formulated, within the framework of youth development initiatives.

✓ In 2006 - the Youth Enterprise Development Fund conceived as a strategy to address youth unemployment through enterprise development.

✓ But even with strategies for accelerated youth development in place, it is apparent that economic development of youth has been slower than expected.

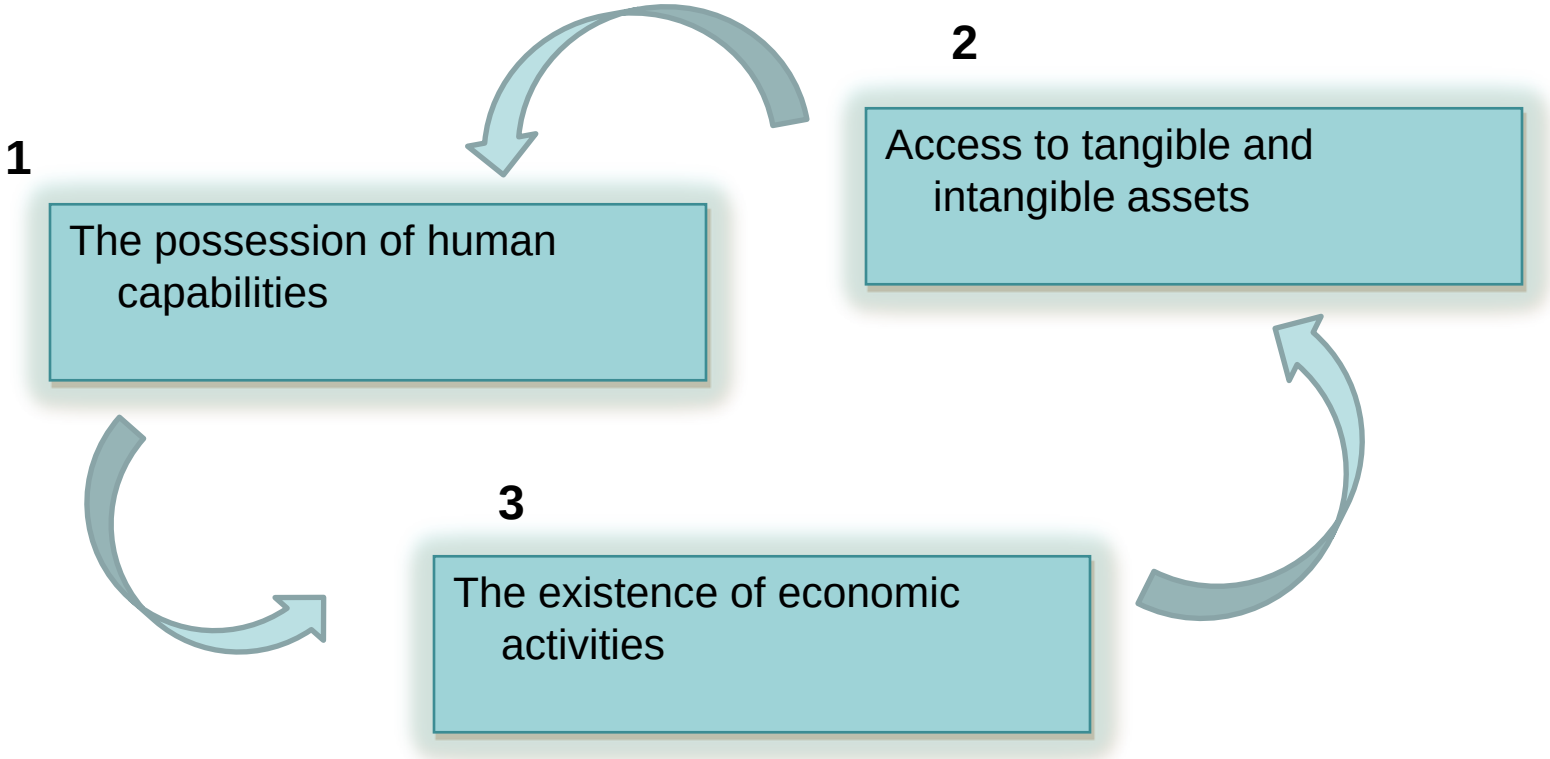
✓ Apart from unemployment, which forms the basis for enhancing youth livelihoods, the youth also encounter more profound challenges when it comes to entrepreneurial skills

This research makes the case for broadening the scope of livelihood interventions to take account, in these initiatives, the various kinds of resources upon which the youth draw on for their livelihoods.

Conceptual Framework

This study uses the **CARE Livelihoods Framework** as the conceptual tool for understanding youth entrepreneurship.

The defining aspects of the CARE framework underpin three fundamental attributes needed to enhance sustainable livelihood:



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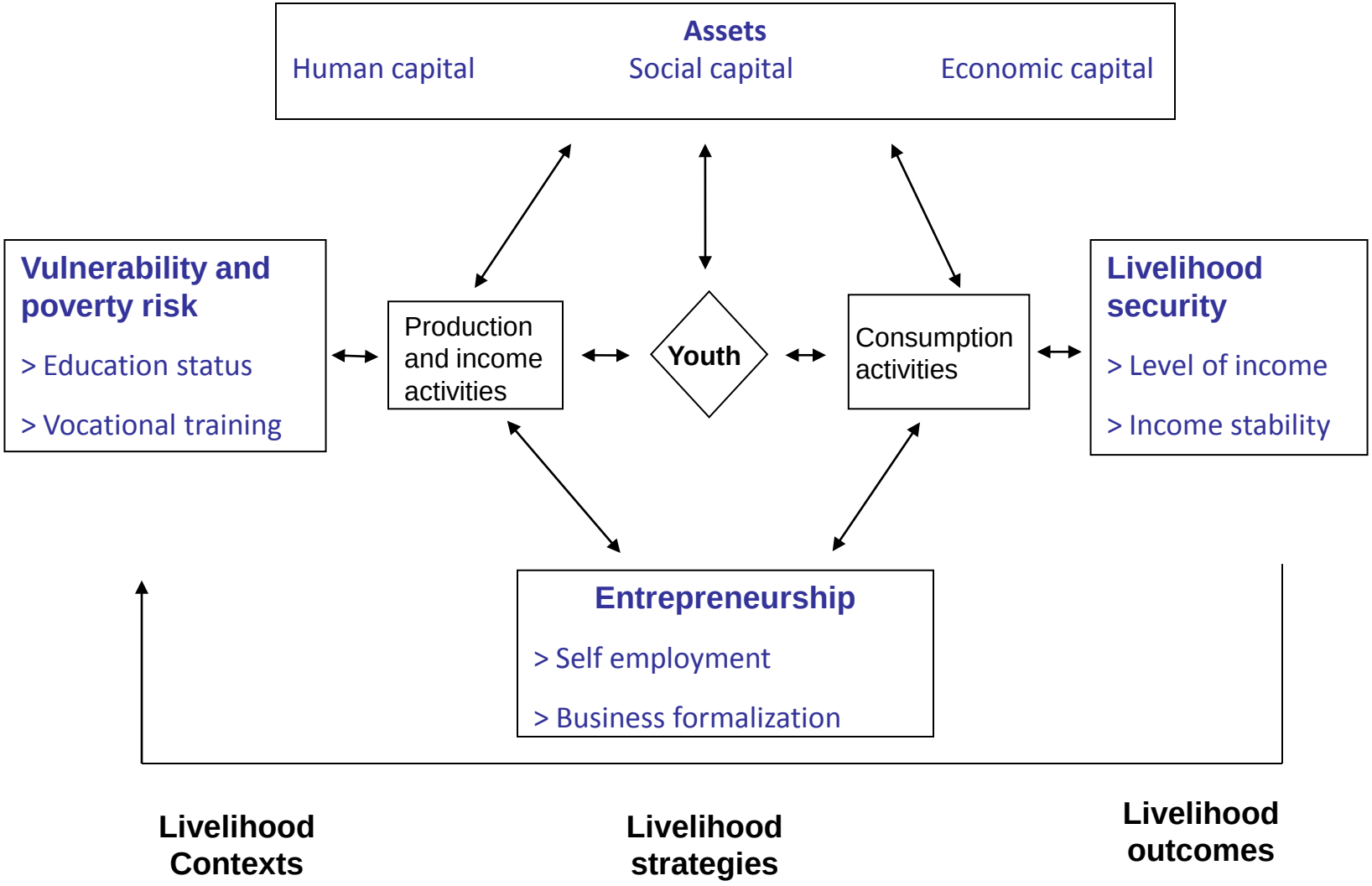
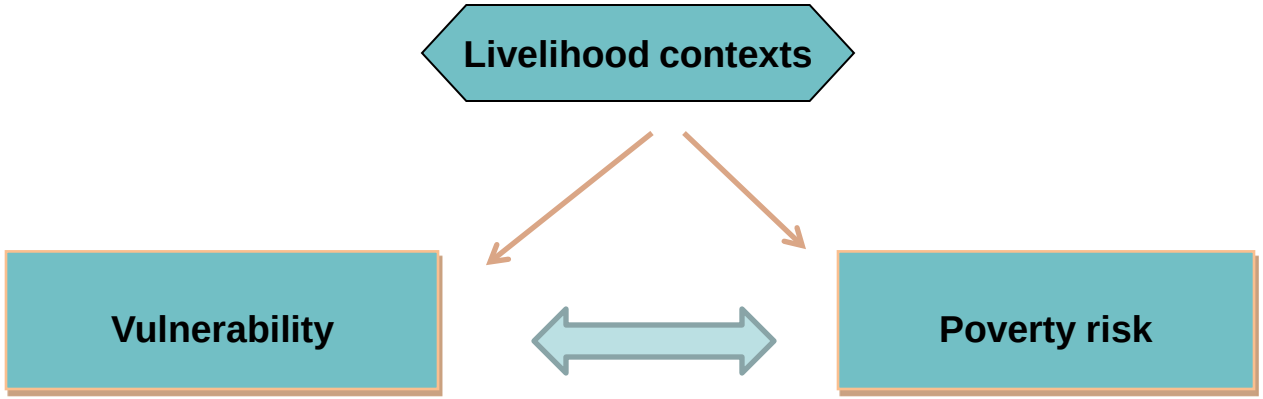

Assets
Human capital
Social capital
Economic capital
Vulnerability and poverty risk
> Education status
> Vocational training
Production and income activities
Youth
Consumption activities
Livelihood security
> Level of income
> Income stability
Entrepreneurship
> Self employment
> Business formalization
Livelihood Contexts
Livelihood strategies
Livelihood outcomes

Cont…

Livelihood Contexts

The vulnerability context forms the external environment in which people exist and gain importance through direct impacts upon people's asset status (Devereux in Kollmair and Gamper 2002).

In the context of this study, vulnerability and poverty are seen as inextricably linked. Poverty refers mainly to a lack of material or monetary resources (UNDP, 2006). On the other hand, vulnerability is defined as the probability or risk today of being in poverty or to fall into deeper poverty in the future (The World Bank, 2011).



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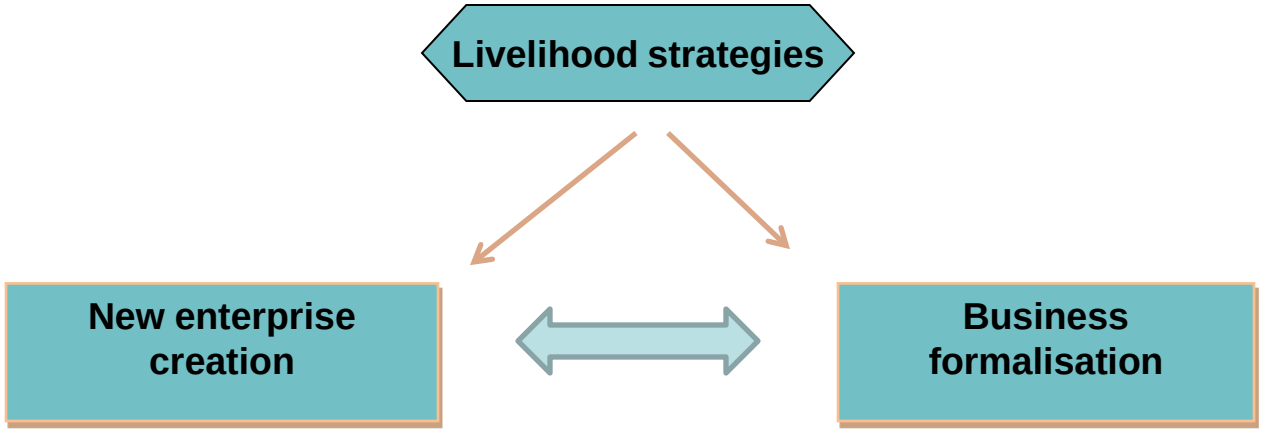
Livelihood Strategies

According to Kollmair and Gamper (2002) the livelihood strategies comprise; “the range of combination of activities and choices that people undertake in order to achieve their livelihood goals.”

They constitute a range of processing and exchange activities designed to build asset bases and access to goods and services for consumption.

This study focuses draws attention to entrepreneurship as the means through which the youth develop their underlying resources and capacities to cope with the challenges they encounter.



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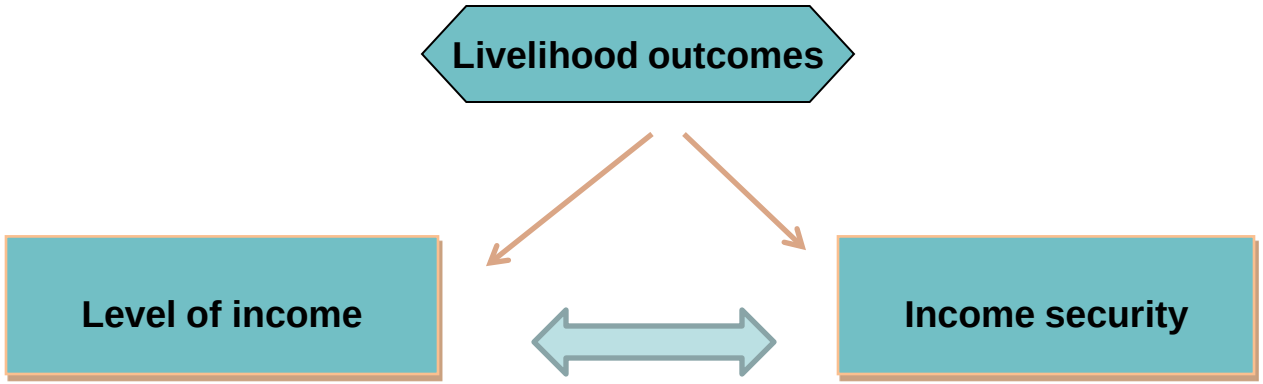
Livelihood Outcomes

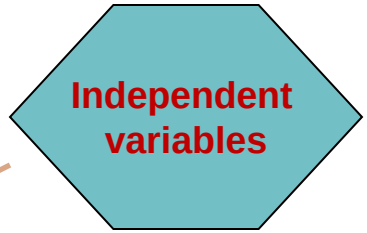
Livelihood outcomes are the goals to which people aspire, the results of pursuing their livelihood strategies, such as increased income, reduced vulnerability, increased well-being, improved food security, and more sustainable use of natural resources (Alinovi, D'Errico, Mane, and Romano, 2010).

Under economic perspective, an important aspect of the livelihood outcomes is the effects on livelihood security, operationalised here as adequate and sustainable access to income and resources, notably to address food security, well-being, and sustainable resource management.

In this analysis, these outcomes could be reflected in the level in the income level and income stability.



Research Variables



Education

The measure of education corresponded to the following six levels:

- No formal education
- Primary,
- Secondary,
- Tertiary,
- Undergraduate
- Postgraduate

Vocational training

Operationalized on whether respondent received vocational training or not, and orientation of training

- No training vs trained
- Technical vs non technical course

Livelihood capitals

The measures for the livelihood assets portfolio:

- Infrastructure [Economy)
- Business skills [Human]
- Social dynamics [Social]

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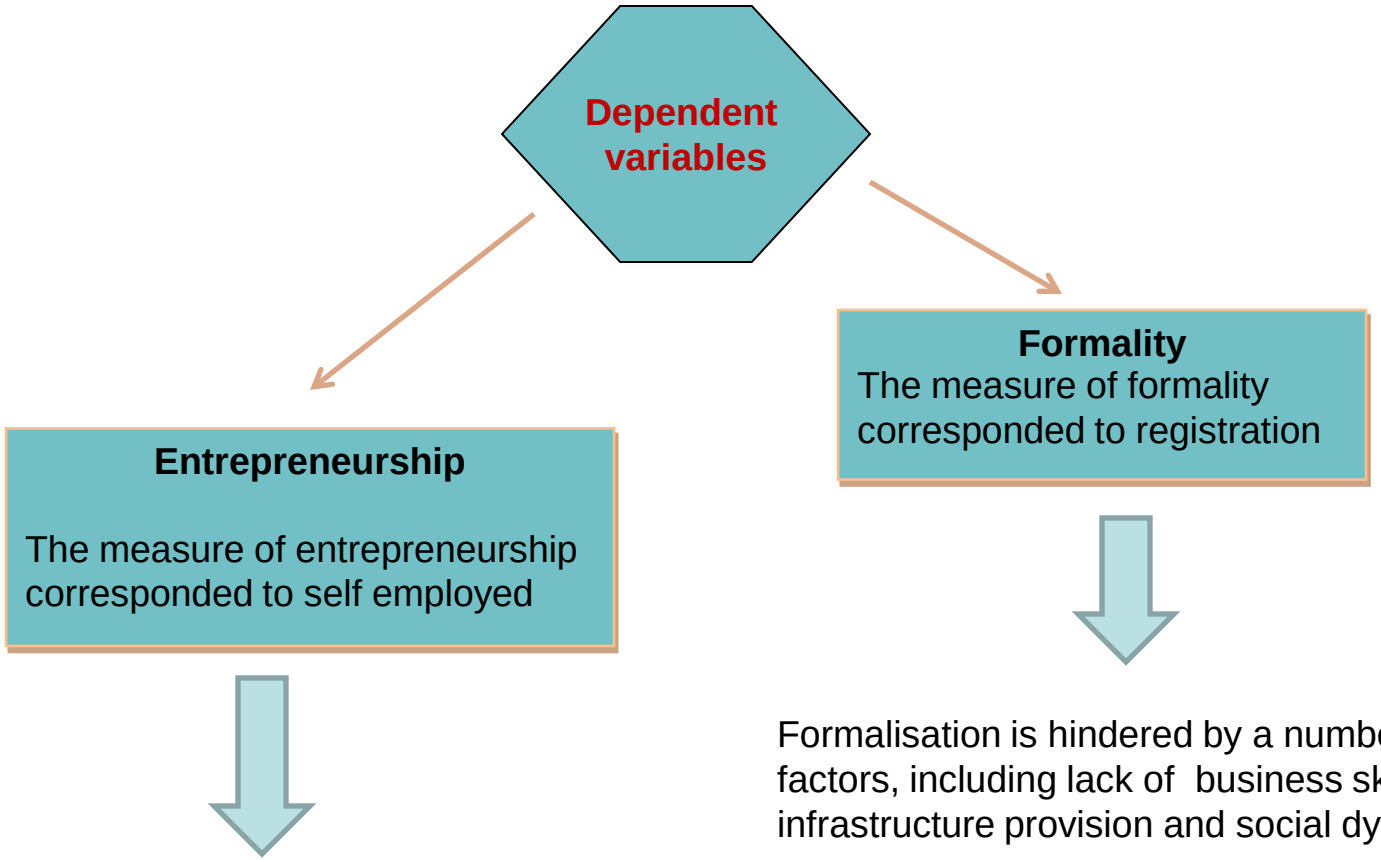

Dependent variables
Entrepreneurship
The measure of entrepreneurship corresponded to self employed
Formality
The measure of formality corresponded to registration
Self-employment in this context is driven by low labour market opportunities.
Formalisation is hindered by a number of factors, including lack of business skills, infrastructure provision and social dynamics.

Research Propositions

Based on the literature review, five hypotheses have been derived for testing:

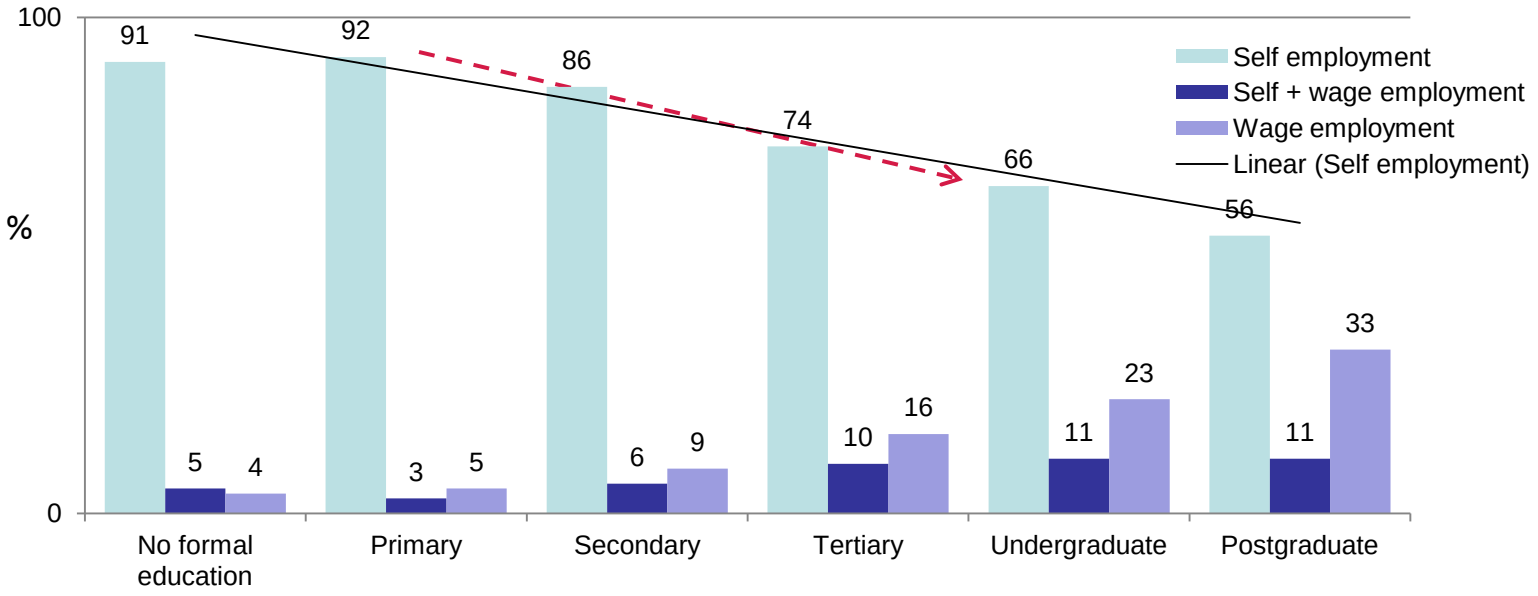
- ✓ H1: Lower level of education positively influence desirability for self employment
- ✓ H2: Vocational training improves the desirability for self employment
- ✓ H3: Business skills positively influence desirability for formalisation
- ✓ H4: Presence of infrastructure positively influence desirability for formalisation
- ✓ H5: Environment of strong socio-cultural dynamics negatively desirability for formalisation

Study Results

Education and Self employment: Overall

With the critical value of chi square distribution (< 21.03) and significance values (below alpha level (0.05), the results, overall, indicate significant relationship (inverse) between education and self employment; thus, lower education positively influence interest in self employment among youth.

$\chi^2 = 232.50$, df=12, p-value=0.00



Education and Self employment: Age 18-24

Significant relationship exists between education status and self employment for the age band 18-24 - critical value of chi square distribution (< 21.03) and significance values (below alpha level (0.05).

It is notable that, at "younger age," predisposition for self employment among the youth is relatively higher among those with **tertiary level education** and below.

χ^2 = 32.92 [df=12] p-value=0.00

Criteria	N	% Self employment	% Self + Wage employment	% Wage employment
No formal education	40	**85**	0	15
Primary	427	**91**	4	5
Secondary	615	**83**	10	7
Tertiary college	207	**85**	8	7
Undergraduate	60	**75**	17	8
Postgraduate	18	**72**	22	6

Education and Self employment: Age 25-29

Significant relationship similarly exists between education status and self employment for the age band 25-29 - critical value of chi square distribution (< 21.03) and significance values (below alpha level (0.05).

At the “middle age,” predisposition for self employment among the youth is relatively higher among those with **secondary level education** and below.

χ^2 = 82.68 [df=12] p-value=0.00

Criteria	N	% Self employment	% Self + Wage employment	% Wage employment
No formal education	47	**94**	4	2
Primary	467	**93**	5	3
Secondary	690	**86**	8	6
Tertiary college	364	**72**	17	11
Undergraduate	87	**74**	15	11
Postgraduate	21	**76**	19	5

Education and Self employment: Age 30-34

Significant relationship exists between education status and self employment among the age band 30-34, - critical value of chi square distribution (< 21.03) and significance values (below alpha level (0.05).

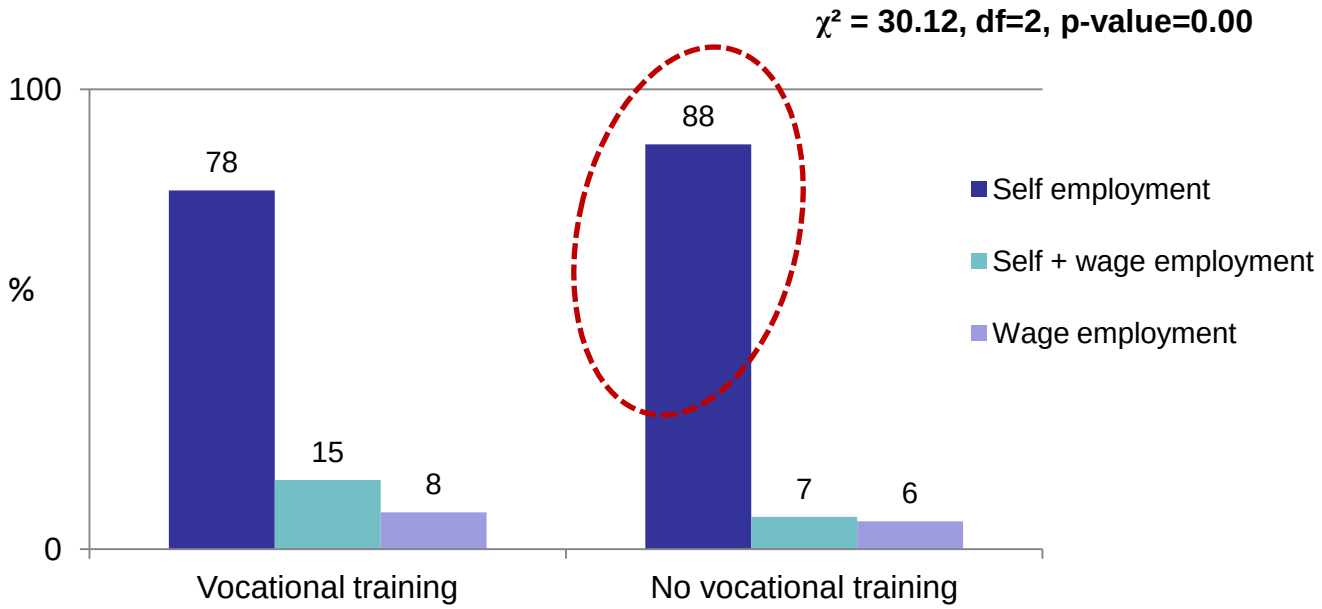
At the “older age,” predisposition for self employment among the youth is relatively higher among those with **secondary level education** and below. Drastic reduction in percentage of youth predisposed to self employment is observed among those with undergraduate and postgraduate level education.

χ^2 = 182.53 [df=12] p-value=0.00

Criteria	N	% Self employment	% Self + Wage employment	% Wage employment
No formal education	56	**95**	5	0
Primary	397	**92**	7	2
Secondary	547	**87**	9	4
Tertiary college	246	**68**	22	10
Undergraduate	74	**49**	38	14
Postgraduate	34	**35**	47	18

Vocational Training and Self employment: Overall

With the critical value of chi square distribution (< 5.99) and significance values (below alpha level (0.05), the results, overall, indicate significant relationship between vocational training and self employment; thus, lack of vocational training increase the desirability for self employment



Vocational Training and Self employment: By Age

The critical value of chi square distribution (< 5.99) and significance values (below alpha level (0.05), indicate a relationship (inverse) between vocational training and self employment, in respect to those aged 25 years and above. Thus, lack of vocational training is likely to increase the desirability for self employment among the older youth.

Criteria	N	% Self employment	% Self + Wage employment	% Wage employment	χ^2 df=2	P-value
Youth age 18-24					***2.71***	***0.26***
Trained	365	**86**	10	5		
Not trained	1028	**85**	8	7		
Youth age 25-29					***30.12***	***0.00***
Trained	561	**78**	15	8		
Not trained	1153	**88**	7	6		
Youth age 30-34					***56.78***	***0.00***
Trained	457	**71**	19	10		
Not trained	918	**87**	10	3		

Vocational Training and Self employment: By Training Orientation

The critical value of chi square distribution (< 5.99) and significance values (below alpha level (0.05), suggest that training in a technical course is likely to increase the desirability for self employment.

Criteria	N	% Self employment	% Self + Wage employment	% Wage employment	χ^2 df=2	P-value
Youth age 18-24					***6.87***	***0.03***
Technical course	246	**88**	10	2		
Non-technical course	119	**81**	9	10		
Youth age 25-29					***24.07***	***0.00***
Technical course	322	**85**	10	5		
Non-technical course	239	**68**	21	12		
Youth age 30-34					***40.99***	***0.00***
Technical course	237	**84**	14	3		
Non-technical course	220	**58**	25	17		

Livelihood Capitals and Self employment: Business Skills

The critical value of chi square distribution (< 3.84) and significance values (below alpha level (0.05), indicate that there is association between business skills and formalisation – but only among older youth (age 25+).

	N	% Businesses registered	% Businesses not registered	χ^2 df=1	P-value
Youth age 18-24				***2.56***	***0.11***
Small/Not at a problem at all	319	28	72		
Fairly/Very big problem	764	33	67		
Youth age 25-29				***13.04***	***0.00***
Small/Not at a problem at all	497	28	73		
Fairly/Very big problem	1058	37	63		
Youth age 30-34				***31.99***	***0.00***
Small/Not at a problem at all	419	24	76		
Fairly/Very big problem	855	40	60		

Livelihood Capitals and Self employment: Infrastructure

The critical value of chi square distribution (> 3.84) and significance values (above alpha level (0.05), essentially confirm that there is no association between infrastructure and formalisation for any of the age sub-groups.

Criteria	N	% Businesses registered	% Businesses not registered	χ^2 df=1	P-value
Youth age 18-24				***2.47***	***0.12***
Small/Not at a problem at all	443	34	66		
Fairly/Very big problem	639	30	70		
Youth age 25-29				***0.03***	***0.87***
Small/Not at a problem at all	643	34	66		
Fairly/Very big problem	908	34	66		
Youth age 30-34				***0.52***	***0.47***
Small/Not at a problem at all	555	35	65		
Fairly/Very big problem	716	33	67		

Livelihood Capitals and Self employment: Socio-Cultural Dynamics

The critical value of chi square distribution (> 3.84) and significance values (above alpha level (0.05), similarly confirm that there is no association between socio-cultural dynamics and formalisation for any of the age sub-groups.

Criteria	N	% Businesses registered	% Businesses not registered	χ^2 df=1	P-value
Youth age 18-24				***1.87***	***0.17***
Small/Not at a problem at all	154	27	73		
Fairly/Very big problem	927	32	68		
Youth age 25-29				***0.05***	***0.82***
Small/Not at a problem at all	199	35	65		
Fairly/Very big problem	1344	34	66		
Youth age 30-34				***1.02***	***0.31***
Small/Not at a problem at all	164	38	62		
Fairly/Very big problem	1107	34	66		

Conclusion

Conclusion

The findings indicated a significant relationship between education and self employment. Apparently, more years of formal education is seemingly a factor limiting the development of youth entrepreneurs.

Predisposition for self employment seemingly decreases by large margins with increase in age (30-34), among those with higher levels of education (secondary, tertiary and university education).

This attitude is likely to be the result of higher levels of optimism for wage employment that come with higher level of education.

Presumably, this is related to the uncertainty and anticipated initial low income levels associated with new a business venture. In this case, the desire to derive immediate benefits from the human capital (i.e. education) is an important motivating factor for seeking wage employment.

Implication: Predominance of individuals with limited human capital, in this regard, lower levels of “education” and “no training” can negatively impact on the quality of new business ventures.

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On the other hand, in terms of vocational training and self employment, the results show that “lack of vocational training” is likely to increase the desirability for self employment - but only among the older youth.

This result is somewhat surprising, and contrary to the wider view that associates vocation training and entrepreneurship.

It similarly appears that the lower motivation for self employment stems from income uncertainty associated with new a business venture.

Implication: Again, the general predominance of individuals with limited human capital in self employment limits decisions to pursue formalisation.

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The results obtained from this research do reveal some broad areas where a Sustainable Livelihoods approach could have implications on policy in terms of youth enterprise development.

Accordingly, youth development priorities should be based on the following:

a) Policy and programmatic interventions in respect to vocational training need to underline "technical courses" – i.e. crafts/trade

b) Entrepreneurship education during vocational training is necessary to promote desirability for self employment

c) Education and training of small and medium business operators to make them better qualified in terms of general handling of business operations and increase their ability to comply with expectations of the formal sector

e) Funding/loan processing should pay attention to the characteristics of the borrowers, specifically focusing on their livelihood capabilities

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