



# ENTREPRENEURS AND JOB CREATION IN TANZANIA

Nelson M. Nkhoma\* and Ntimi N.  
Mtawa\*\*

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\*Institute for Post School Studies, University of the Western  
Cape

\*\*Higher Education and Human Development, University  
of the Free State

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# EXECUTIVE SUMMARY

This report is based on an exploratory study conducted in two cities in Tanzania, Arusha and Dar es Salaam. We designed a mixed methods exploratory study to understand how youth create jobs in Tanzania. The analysis categorised entrepreneurs into three age categories as follows:

- Very Young Entrepreneurs (VYEs) - ages 15-23,
- Young Entrepreneurs (YE) - ages 24-35, and
- Older Entrepreneurs (OE) - ages 36 – and above.

The sample consisted of 112 participants and was quite evenly split by gender, with slightly more female participants (53%) than male participants (47%). The entrepreneurs we engaged with typically considered themselves as entrepreneurs because they take risks and offer services to their communities. Most of the entrepreneurs have their ventures in tertiary manufacturing sectors which involves the selling of already manufactured products such as medicines, food and clothes.

Most VYEs (68.6%) YEs (70.5%) and OEs (74.1%) stated that they create jobs through entrepreneurship for their own household wellbeing. This was for both primary (self-) employment and secondary (employment for others). Sixty-five percent of the 123 businesses in the sample offered secondary employment. On average VYEs, YE and OE employ on full and part time basis 1.2 employees. Most of the employees come from within the village and region. In terms of which age groups benefit from secondary job creation, the results show that 91.7% of VYEs employ employees who are “between 15-25” years old., 82.9% of YEs employ workers who are “between 15-25”. 90.5% of OEs employ workers who are “between 15-25”. This suggests that both VYEs and YEs create jobs for themselves and other young people.

Across the age categories we discovered 5 job creating strategies used by entrepreneurs. These strategies are: “Ajira” (normal self-employment or employee jobs), “Nyoka” (Apprenticeship), “Msaada” (household help), “kurithi” (inheritance) and “Vikundi” (Group venture). Kurithi and Vikundi, however, was mostly a strategy used by VYEs.

Entrepreneurs highlighted eight areas in which they need support. These areas are: entrepreneurial finance; policies that supports entrepreneurship and job creation; local and national government entrepreneurship programs; entrepreneurship education at school stage and after school; changing cultural and social norms on business; media attention to promote positive image of VYEs; physical infrastructure that promotes business; and support with business knowledge and skills.

# INTRODUCTION

Unemployment is a global challenge and it presents an economic and social crisis that threatens the dignity and livelihoods of millions of individuals, including young people (ILO 2018). Globally, over 75 million young people between the ages of 15 and 24 years are outside the formal labor market, yet they are looking for jobs (ILO 2018). A study by the International Labor Organization (ILO) found that over 75% of young people aged between 15 and 29 were involved in informal work as their primary economic activity (Elder et al. 2015). Many of the under and unemployed young people live in the least developed countries (LDCs) in the global South (ILO 2018). In sub-Saharan Africa, young people constitute more than 50% of the entire population (United Nations 2018). More than one in three workers is living in conditions of extreme poverty, while almost three out of four workers are in vulnerable employment.

Sub-Saharan Africa continues to experience very high rates of extreme working poverty<sup>1</sup> (i.e. living on less than US\$1.90 per day in PPP terms), at 36.6% and moderate working poverty (i.e. living on between US\$1.90 and US\$3.10 per day), at 24.4% in 2017. Overall, this represents a total of 228 million workers in sub-Saharan Africa living in either extreme or moderate poverty. The challenge of working poverty is even worse for young people, as the region is home to the highest youth working poverty rate, with nearly 67% of young workers in sub-Saharan Africa living in poverty in 2017. In the past decade, the number of sub-Saharan youth in working poverty has increased by more than 7 million, to reach 58 million (ILO 2018). While the high numbers of young people present an opportunity for the continent, the ‘youth bulge’ also presents significant economic, social and political challenges. With limited growth in opportunities for formal sector employment, state-supported self-employment and entrepreneurship initiatives have become increasingly common (African Development Bank, 2017). As such, governments and development partners have developed and advocated for national youth policies, programmes and budgetary allocations aimed at supporting self-employment and enterprise development by young people (Anyidoho et al. 2012; Burchell et al. 2015; Muiya 2014). In sub-Saharan Africa, successive governments and agencies have encouraged youth engagement in job creating sectors such as agricultural-related initiatives, ICT and industry to counter youth under- and unemployment (Anyidoho et al. 2012). Other policies and programmes promote youth engagement with new technologies, vocational training and entrepreneurship.

In Tanzania, the government defines youth as being between 15 and 35 years. Research has shown that about 75% of employed youth aged 15-24 are active in agriculture but are disproportionately represented in the informal sector, which highlights the vulnerable state of youth in the labour market (Haji, 2015). Overall, most youth in Tanzania who enter self-employment do so due to lack of wage employment and because of the low barriers to entry (Peter, 2013; Haji, 2015). In 2018, it was estimated that youth unemployment stood at 34.5% (ILO, 2018; Plecher, 2019) although the figure might be higher than that. The ILO modelled estimate of working poverty rates for Tanzania for ages 15-24 in 2019 was 41.8%.

There is extensive knowledge on the challenges and rates of unemployment among youths. The evidence of this can be seen through the recent Tanzanian government efforts to make entrepreneurship a central strategy to address unemployment. This has been one of the key priorities of President John Magufuli since he came into power in 2015. Through its Ministry of Work, Youth, Employment and People with Disability, the Tanzanian government has embarked

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<sup>1</sup> According to International Labour Organization, the working poor are working people whose incomes fall below a given poverty line due to low-income jobs and low familial household income.

on creating conditions and structures that support entrepreneurship education and initiatives particularly for youths (Ministry of Work, Youth, Employment and People with Disability, 2019). However, we still know relatively little about how younger and older entrepreneurs contribute to job creation and the strategies they use. To date very little research has examined how and to what extent youths are creating employment for themselves and for other young people. The efforts youth are making are lost in focusing on the challenges and problems youths face and not the powerful coping strategies and positive change they bring about in their communities and country. Below we therefore outline a study design that responds to Anzisha's research call that seeks to demonstrate the positive strides young entrepreneurs are making in contributing to job creation.

The Anzisha Prize commissioned empirical studies that asked the following overarching research questions:

1. How, and to what extent, do very young entrepreneurs contribute to job creation for young people (under 25 years) in Africa?
2. How, and to what extent do older entrepreneurs contribute to job creation for young people (under 25 years) in Africa?

To answer these research questions, we designed an exploratory mixed methods study located in Tanzania. We have rich knowledge and experience of working in Tanzania and with youth entrepreneurship. As the details below show, this study sought to explore and understand the extent to which young and older Tanzanian entrepreneurs are creating jobs and under what conditions.

# METHODOLOGY

The Anzisha Prize, a partnership between the African Leadership Academy and Mastercard Foundation, identifies, awards and supports very young entrepreneurs (15-22 years) across the African continent. In addition to its work with young entrepreneurs themselves, the Anzisha Prize also strives to share stories and research about the potential of young entrepreneurs for Africa's development to encourage other young people to consider entrepreneurship and to influence the entrepreneurial ecosystem to support and invest in young people. With this object in mind an exploratory study design<sup>2</sup> on how and the extent to which young entrepreneurs create jobs is best suited to establish an understanding of how best to proceed in supporting young entrepreneurs and what methodology young job creators effectively apply. We selected an exploratory design because the research problem (how and to what extent young entrepreneurs are creating jobs) has few earlier studies to refer to or rely upon to predict the outcomes or formulate hypotheses.

## RESEARCH OBJECTIVES

Our exploratory research was guided by the following objectives, to:

- Uncover details, settings, and concerns of young entrepreneurs on how they define job creation in their town or city and by extension country.<sup>3</sup>
- Create a well-grounded picture of the strategies young entrepreneurs use in creating jobs for others in various economic sectors.
- Develop tentative theories underpinning what youth think should be supported to enable them to create jobs for themselves and others.
- Determine the extent of job creation in terms of actual numbers of young people entrepreneurs report employing in their businesses, the number of hours spent working those jobs, the money earned, type of contracts and agreements.

## ADVANTAGE OF THE EXPLORATORY STUDY

Exploratory design is a useful approach for gaining background information on the extent to which youth are creating jobs. To date, we have come across very few studies that assess the extent, strategies, and challenges very young entrepreneurs face in creating jobs. We opted for an exploratory research approach because the study design is flexible and can address research questions of all types (what, why, how). The approach is also advantageous because it provides an opportunity to define new terms and clarify existing concepts about job creation. Moreover, exploratory studies help establish priorities and where resources should be allocated. In the current design, the exploratory approach was significant in that it helped to identify areas that very young, young and older entrepreneurs thought could be supported to enable them to contribute to job creation in Tanzania. Thus, the study uncovered narratives and stories of positive entrepreneurial job creation and the challenges entrepreneurs face.

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<sup>2</sup> Cuthill, Michael. "Exploratory Research: Citizen Participation, Local Government, and Sustainable Development in Australia." *Sustainable Development* 10 (2002): 79-89; Streb, Christoph K. "Exploratory Case Study." In *Encyclopaedia of Case Study Research*. Albert J. Mills, Gabrielle Durepos and Eiden Wiebe, editors. (Thousand Oaks, CA: Sage, 2010), pp. 372-374; Taylor, P. J., G. Catalano, and D.R.F. Walker. "Exploratory Analysis of the World City Network." *Urban Studies* 39 (December 2002): 2377-2394).

<sup>3</sup> In our previous work in Tanzania, we discovered that youth have very complex understandings of savings. For instance, they considered planting trees, working for parents and going to school as savings and investment not just keeping money in the bank. With in-depth interviews we developed a complex perspective of how young entrepreneurs define job creation and the purposes of their businesses.

## WHAT THE STUDY MIGHT NOT TELL

Exploratory research generally utilizes small sample sizes and, thus, findings are typically not generalizable to the population at large. The exploratory nature of the research inhibits an ability to make definitive conclusions about the findings. This is shown by Lepoutre, Justo, Terjesen, & Bosma (2013) as they highlighted the challenges of designing a global standardized methodology for measuring social entrepreneurship activities.

## STUDY AREA AND STUDY SAMPLE

We initially selected Uganda and Tanzania as countries of focus. Our plan was to conduct the study in two cities in the respective countries namely Entebbe and Arusha. Arusha and Entebbe were best suited for this study because of their diverse economic activities in agricultural, industry and service sectors compared to other cities in Tanzania and Uganda. Both cities have a unique urban/rural divide that makes for interesting investigation of the panoply of job creation and entrepreneurship in the agricultural, tourism, technological and financial sectors.

The research plans needed to be changed due to unforeseen circumstances and the short timeframe available for the study. We discovered that we did not have enough time to successfully obtain ethical approval to conduct the research in Entebbe, Uganda. Our local partners in Uganda highlighted to us that the process for ethical review would take longer than the timeframe of this research project. It was thus necessary to omit Uganda and focus solely on the Tanzanian context, to which we added a second city. Data was thus collected from Arusha and Dar es Salaam as our case study cities. Although we were able to obtain approval from the relevant authorities in Tanzania, the data collection did not go as we planned. Data collection in Arusha took significantly longer than we expected. This delay coupled with December festivities meant that we could only focus on survey data collection in Arusha and a small number of in-depth-interviews. We then finalized data collection with in-depth interviews in Dar es Salaam.

We collected data face to face in personal settings using a questionnaire survey instrument designed for the study. The research team visited the entrepreneurs at their workplaces within the two cities. The research team was able to collect a total of 112 completed surveys in Arusha. Of these survey participants, 10 were interviewed in depth. Ten additional participants were interviewed in-depth in Dar es Salaam. Further details on these samples and research participants are discussed in the results section.

The quantitative and qualitative parts of the research study are both descriptive. A descriptive quantitative study is governed by the following rules: subjects are generally measured once; the intention is to only establish associations between variables; and, the study may include a sample population of 100 or more subjects to ensure that a valid estimate of a generalised relationship between variables has been obtained. We used SPSS to analyse quantitative responses on variables that examine number of entrepreneurs and jobs created by individual entrepreneurs, the types of business, the amount of capital they invest, the profits they make and losses they incur, number of business they own, number of employees, types of sector, length/time involved in the business. These variables were analysed in association with demographic data such as age, gender, rural, peri-urban or urban locality, level of education, source of capital, source of entrepreneurship skills and so forth. Descriptive statistics are important to report on the extent of job creation and how this was correlated to demographic factors.

To gain an in-depth understanding of the entrepreneurs' perspectives and strategies for job creation we conducted qualitative in-depth interviews with a smaller sample of the participants. A qualitative approach was important to leverage subjective methods such as interviews and observations to collect substantive and relevant data. The two key elements that were used in qualitative research study were that data be purposeful and naturalistic in investigating how young entrepreneurs create jobs in various economic sectors in Tanzania. The project approach was naturalistic in that it studied real-world situations and experiences as they unfold naturally. This meant that we took a non-manipulative and non-controlling approach to avoid predetermined constraints on findings. Secondly, the study was purposeful in selection of cases and participants for the study [e.g., people, organizations, businesses]. These cases were selected because they are "information rich" and illuminative. Most importantly, they were selected because the owners of the business were willing and volunteered to be interviewed and surveyed as part of the study. We envisioned that they would offer the greatest opportunities to learn more about very young entrepreneurs and the job creation practices (Stake, 2005). The sampling strategy and data analysis were thus aimed at insights about the phenomenon and practical applicability rather than generalizability with capital "G".

## **CONCEPTUAL FRAMEWORK GUIDING DATA ANALYSIS**

Analysis of the findings from this project paid attention to three critical issues. Firstly, we focused on the unique case orientation in order to understand each participant in depth. A cross-case analysis then followed the individual level analyses. We drew from an inductive analysis using DeJaeghere's (2017) three functions of entrepreneurship to establish the extent to which young entrepreneurs across the demographic spectrum are contributing to entrepreneurship for job creation in the country contexts. DeJaeghere (2017) suggests that youth entrepreneurship has three main functions: (a) job creation and economic growth mechanism, (b) strategy for reducing poverty and social ills and, (c) mechanism for valued choice for wellbeing. Lastly, the analysis of findings was systematic in order to emphasize the voice, perspectives, and reflexivity of entrepreneurs' lived experiences, which is often ignored and overlooked.



# DESCRIPTIVE FINDINGS

## BACKGROUND INFORMATION ABOUT ENTREPRENEURS AND THEIR BUSINESSES

As outlined in the methods section, we contacted a diverse set of young and older entrepreneurs based on the business and enterprises they run. We followed the guidelines of the call on the sample and committed to including both male and female participants from various sectors of business and industry. A total of 122 entrepreneurs took part in the survey, and all were based in Arusha. Of these 112 entrepreneurs, ten were selected to also participate in an in-depth interview. An additional ten entrepreneurs were sampled in Dar es Salaam and participated in an in-depth interview.

We managed to sample almost equal percentage of male (48%) and female (52%) entrepreneurs. For this analysis, our key exploratory demographic variable was entrepreneurs' age based on three categories: ages 15-23 [Very Young Entrepreneurs] (VYEs), ages 24-35 [Young Entrepreneurs] (YE) and ages 36 -Above [Older Entrepreneurs] (OE).

Table 1 below shows a distribution of the entrepreneurs, by age grouping, that took part in the in-depth interviews.

Table 1 *Sample of entrepreneurs that responded to in-depth interviews*

Number	City Location	Gender	Sector/roles	Name of activity
7 VYE	Arusha Arusha Arusha Arusha DAR DAR DAR	1.Male 2.Male 3.Male 4.Female 5.Female 6. Female 7. Female	Transportation Agriculture Agriculture Business Finance/banking Manufacturing Manufacturing	Motorcycle and Bajaj Onion farming Cucumber farming Handbag, hair and cosmetics Mobile money Grocery shop Grocery/mini supermarket
4 YE	DAR DAR Arusha Arusha	1.Male 2.Female 3.Male 4.Male	Manufacturing Business Tourism Manufacturing	Sewing/tailoring Utensil seller Arts and tourism shop Spare parts and workshop
7 OE	Arusha Arusha Arusha DAR DAR DAR DAR	1.Male 2.Male 3.Male 4.Female 5.Male 6. Female 7. Male	Business Manufacturing Food industry Apparel industry Manufacturing Food Industry Tourism	Shoe shop Furniture making Butchery Secondhand clothes Spare parts and workshop Vegetable seller Travel and tour
2 STAKEHOLDERS	ARUSHA DAR	1.Female 2.Male	SIDO Regional Manager Representative Ministry of Work, Youth and People with Disability	

Overall, 30% of the survey sample were VYEs, 51% were YEs and 19% were OEs.

Figure 1 *Entrepreneurs age groups (n= 112).*

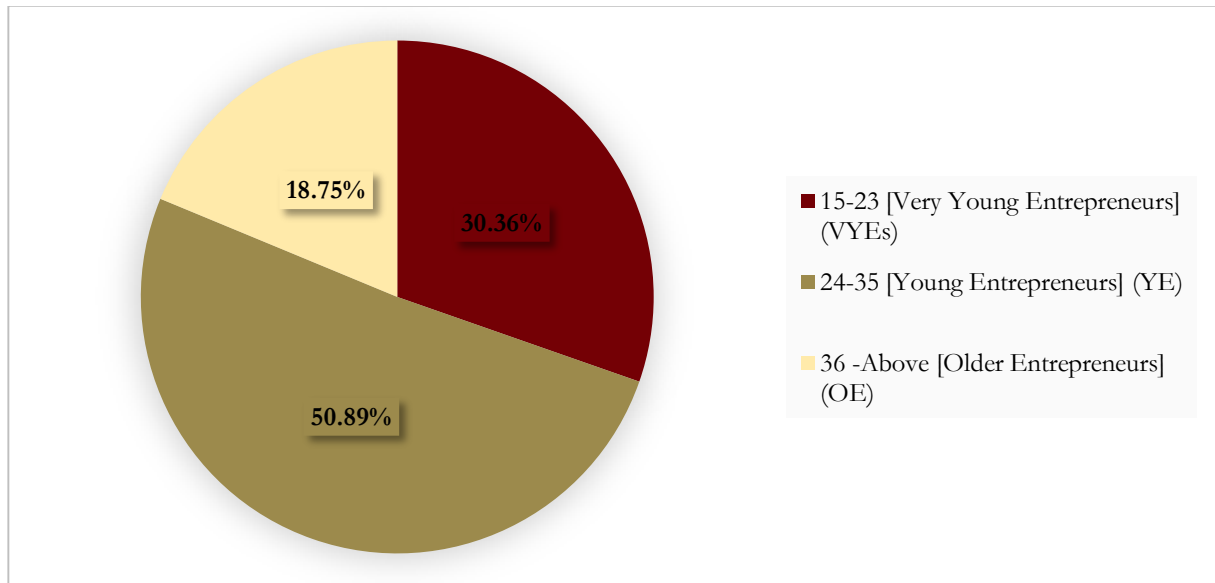
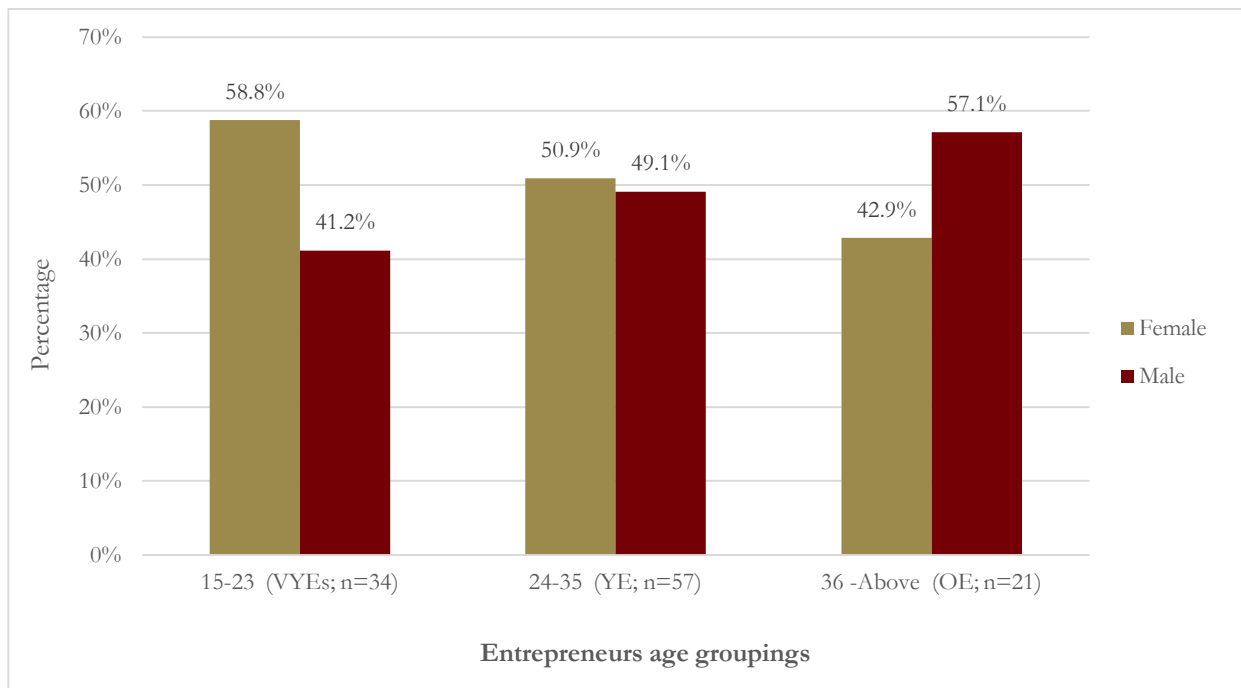


Figure 2 below is tabulation of gender and age grouping of the 112 entrepreneurs who completed the survey.

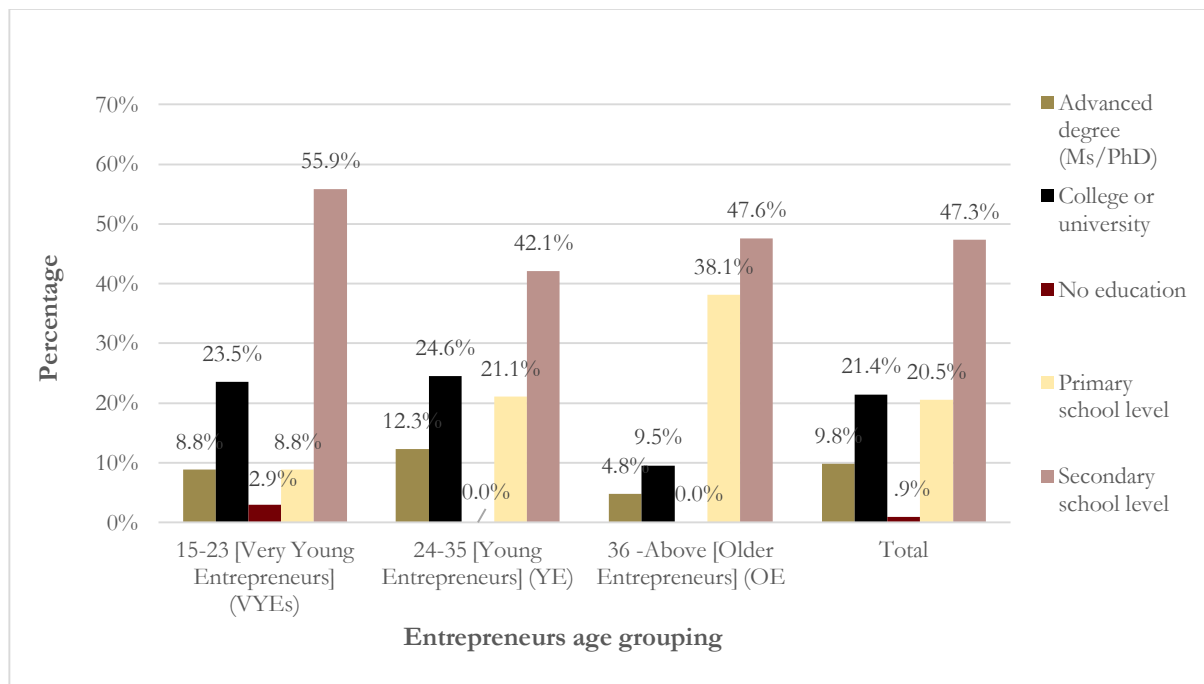
Figure 2 *Entrepreneurs' age cross-tabulated by gender (n=112).*



As shown by scholars like Vavrus (2016), the Arusha region in Tanzania has a long history of access to education for both women and men. Considering that the ages of 15-23 are mostly active years in school it was not surprising that our sample had smaller percentage of VYEs compared to YEs because the age between 15-23 is the prime time for primary, secondary and college

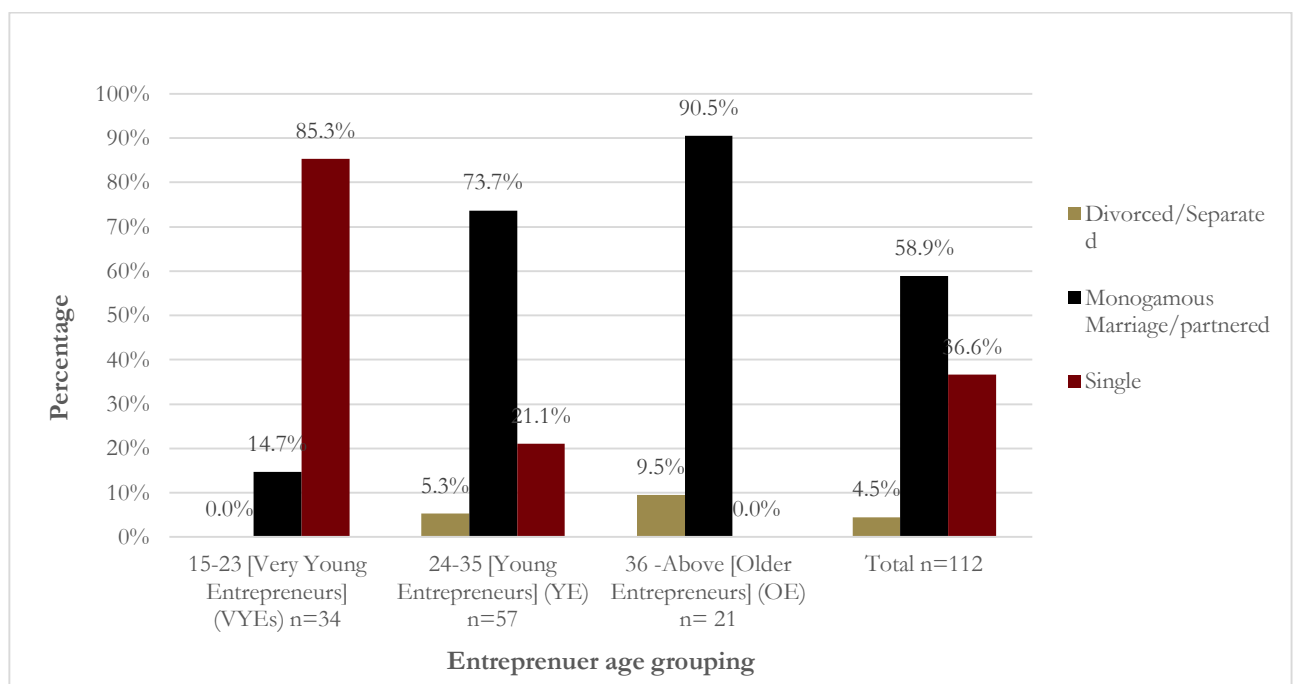
education. Figure 3 below shows a cross-tabulation of level of education by entrepreneurs' age. Only 2.9% of VYEs had no education.

Figure 3 *Level of education cross-tabulated by age (n=112)*



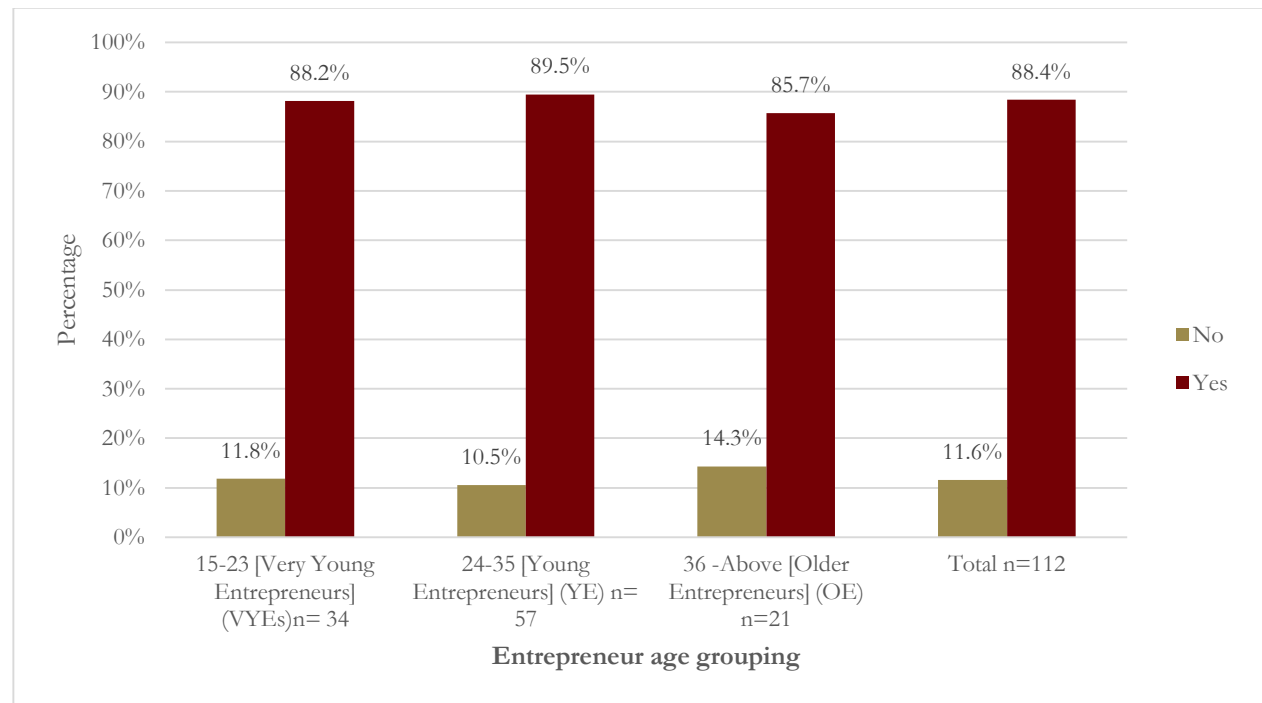
In terms of marital status 85.3% of VYEs were single and only 14.7% were in married or living with a partner, compared to 21.1% of YE who were single and 73.7% who were married. Figure 4 below shows the distribution of marital status according to the entrepreneurs' age groups.

Figure 4 *Entrepreneurs' marital status cross-tabulated by age group (n=112)*



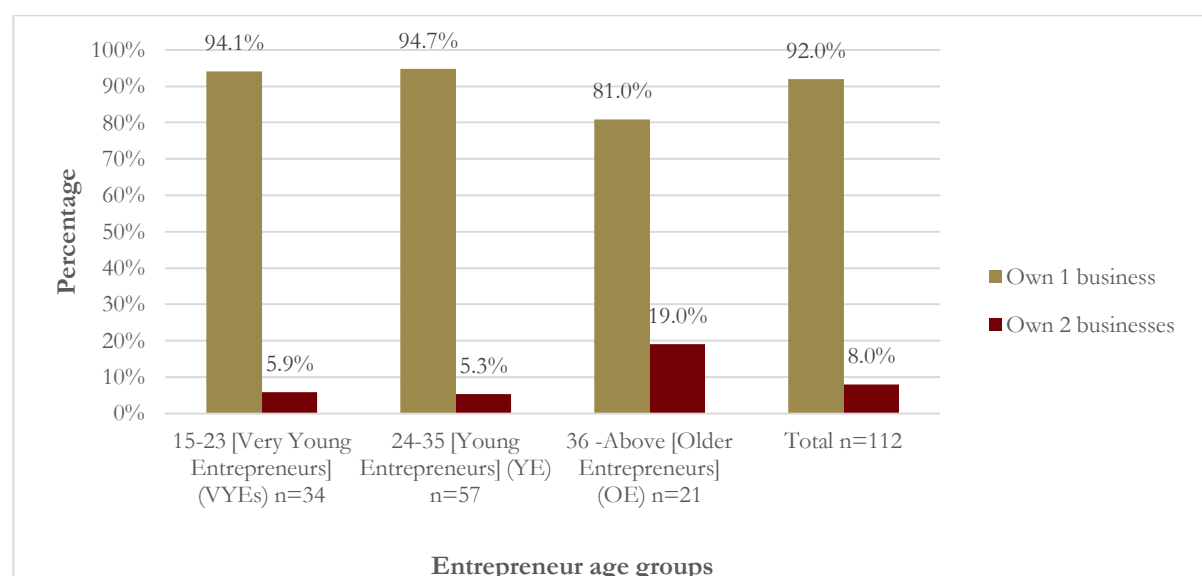
Most participants (88.4%) agreed that their business was their primary economic activity, however, the proportion was higher for participants in the 24-35 age range (YEs) compared to both VYEs and OEs, as Figure 5 below shows.

Figure 5 *Business as primary economic activity (n=112)*



Other income generating activities that were mentioned apart from their business included carpentry, charcoal selling, car mechanic, motorbike mechanic, soap maker, shoemaker, welder, tailoring and more. Although these activities may not have been conducted as part of a formal business, they might nonetheless be entrepreneurial activities. We also asked entrepreneurs the number of businesses they own and operate. Figure 6 below shows the distribution according to age, with only 5.9% of VYEs, 5.3% of YEs and 19.8% of OEs owning more than one main businesses.

Figure 6 *Businesses owned by age categories (n=112)*



## DEFINITION OF AN ENTREPRENEUR

There are many different definitions of the concept of entrepreneurship (Filion, 2011) and we were interested to understand whether the research participants considered themselves as entrepreneurs and why. The vast majority (93.8%) did consider themselves to be entrepreneurs, 3.6% were unsure and 2.7% did not consider themselves to be entrepreneurs. When asked to explain, 75.9% said they considered themselves as entrepreneurs because their businesses solve problems of providing services to people and 16.1% that their services bring social change to the community. Those who were not sure suggested that they did not really see the difference between an entrepreneur and those who do business in other ways, while those who did not consider themselves entrepreneurs felt that their entrepreneurial business was not their primary activity.

In the in-depth interviewees we asked the participants to explain in greater detail their understanding of the concept of entrepreneurship and why they considered themselves as entrepreneurs. From the analysis of the qualitative data, we found that some defined the concept of an entrepreneur as someone who uses small capital to run businesses or income generation initiatives.

*I believe an entrepreneur is someone who is just starting a business and put money into risk. That is what I do and for that reason, I feel that I am an entrepreneur (YE).*

*I am working with a very small budget and I try to make profit out of it and for me those are tabia (characteristics) of an entrepreneur (VYE).*

Some described an entrepreneur as someone who takes risks. From the analysis of the views, the notion of taking risk was commonly noted due to the uncertainties and unpredictability of doing entrepreneurship activities particularly in a context such as Tanzania.

*For me basically, entrepreneurs are those considered risk takers. You take a capital and decide to start something that is needed by the society but you are not sure what will happen after you have started it but you decide that you will invest your capital and start doing it. (YE)*

*I think I am an entrepreneur yes, because what I do, is all about small businesses, I do not have a big company or industry, it is all about small businesses, which I categorize them as entrepreneurship activities. For me an entrepreneur is someone who decide to take a risk and put his money into something hoping that it will bring benefits and generate income. So, that is what I do and it is helping me and my family's livelihood. Also, I am an entrepreneur because I did not get capital from someone or somewhere else, I worked hard got some money and opened my own small businesses like motorcycles service, changing oil etc. until I got my own capital then I stopped being a mechanic and engaged into businesses (OE)*

Some referred to entrepreneurship as being involved in business or other initiatives for survival reasons. The idea of being an entrepreneur for survival is an indication that some may not consider entrepreneurship as a meaningful and productive activity or would prefer to have formal employment.

*I think so but I am not sure. How do you define entrepreneur? In my view an entrepreneur is someone who is trying to do something to survive but I don't know how you define it. I do not have millions on my account or make so much money here, so I am just trying to survive (OE)*

One interview clearly expressed the challenge of neatly defining whether or not one is an entrepreneur.

*I often get confused because people would say someone like Bakharesa<sup>4</sup> is not an entrepreneur because he is rich, but if you look at things or activities, he is doing they can be described as entrepreneurship. For example, he makes*

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<sup>4</sup> Bakharesa is a rich and famous Tanzania Businessman of Indian descent who as monopolized the food industry in Tanzania

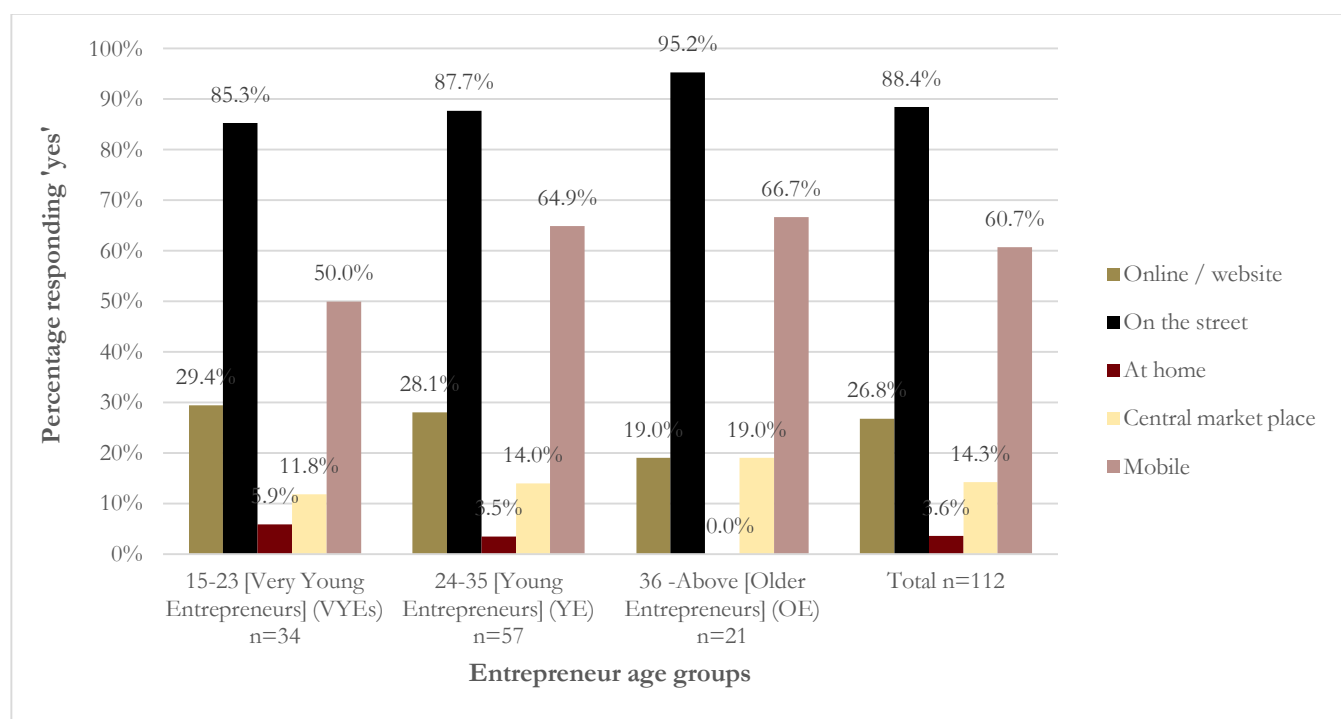
*peanuts and package them. what is that? So, I would consider myself as entrepreneur because I find different ways to make money through travel and tour activities (OEs)*

## PARTICIPANTS' MODE/SITE OF BUSINESS

When describing their businesses, participants were asked where their business activities are performed. It is sometimes assumed that female entrepreneurs and VYEs tend to conduct their business at home for security reasons. It was interesting to observe that of the 123 businesses we observed, most (88.6%) of them were conducted on the streets. Others (60.2%) did their transactions via phone while only 26% reported that they conducted their business online.

Figure 7, however, shows a cross tabulated description of businesses according to age groups. A point to note is that the responses to this question were in form of multiple answers (yes or no). The results here are presented only in the affirmative as such the percentages do not sum up to the 100. Only 5.9% of VYEs reported that they conduct their businesses at home, 85.3% of VYEs reported that they conduct business on the street while 29.4% did their transactions online and 50.0% did business through mobile phones. This shows that VYEs are venturing out into the street and that they use technology to conduct business as 29.4% of VYEs used a website compared to 26.8 % of the total respondents.

Figure 7 Business description according to age groups (n=123)



With regards to location of the businesses, 90.8% of all the business run by female entrepreneurs and 87% of the business run by male entrepreneurs were in urban Arusha.

## INDUSTRY/SECTOR

According to the United Nations International Standard Industrial Classification of All Economic Activities (ISIC), a nation's economy can be divided into various sectors. Our categorization of sectors followed those of others that place a continuum of distance from the natural environment to the used product or service. The continuum starts with primary economic activity, which use raw materials from the earth, such as agriculture and mining. The primary sector extracts products from the earth, such as raw materials and basic foods. Primary economic activity include agriculture, mining, forestry, grazing, hunting and gathering, fishing, and quarrying. Tanzania being a developing country, we expected a lot of entrepreneurs to be involved in the primary sector.

The secondary sector produces finished goods from the raw materials extracted by the primary economy. All manufacturing, processing, and construction jobs lie within this sector. The secondary sector in developing countries like Tanzania includes metalworking and textile production. The secondary sector typically requires greater capital than the primary sector. In countries like Tanzania a small proportion of the population is involved in this sector. We therefore expected a smaller number of the entrepreneurs' businesses to be in the secondary sector.

The tertiary sector is also known as the service industry. This sector sells the goods produced by the secondary sector and provides commercial services to both the general population and to businesses in the five predominant classifications of economic sectors. Activities associated with this sector include retail and wholesale sales, transportation and distribution, restaurants, clerical services, media, tourism, insurance, banking, health care, and others. According to Vivarelli, (2012) a growing proportion of entrepreneurs are devoted to the tertiary sector in developing countries. We thus expected that most of the enterprises and initiatives that VYEs, YEs and OEs would engage in and the kinds of jobs they would contribute towards creating would fall in this sector.

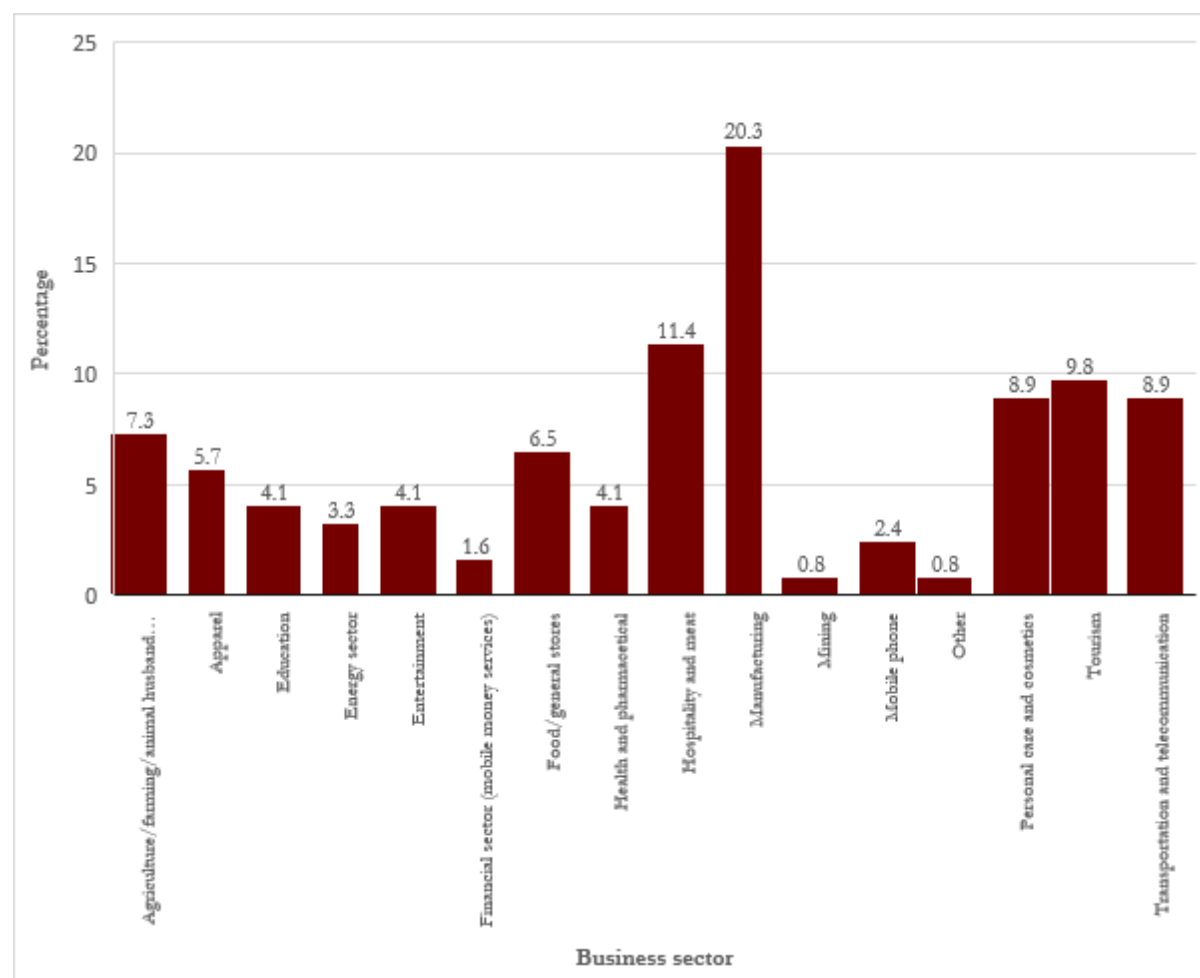
In line with the ISIC categorization of industry sectors, there are businesses that are closely linked with the services of the tertiary sector. Such services fall in the quaternary sector of the economy and consists of intellectual activities and innovations<sup>5</sup>. Activities associated with this sector include government, culture, libraries, scientific research, education, and information technology. These intellectual services and activities are what drives technological advancement, which can have a huge impact on job creation. The quaternary sector includes the highest levels of decision making in a society or economy.

VYEs, YE and OE that formed the sample of our study are best described as falling within the tertiary sector of the economy. As Figure 8 shows, 7.3% of the businesses were from the primary sector and involved agricultural activities. Most of the business activities (20.3%) were in selling of items involved with manufactured products. These were followed by hospitality and food, tourism and personal care. No major difference was observed when analyzed according to age groups.

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<sup>5</sup>*International Standard Industrial Classification of All Economic Activities (ISIC)*, United Nations, New York

Figure 8 *Business sectors (=123)*



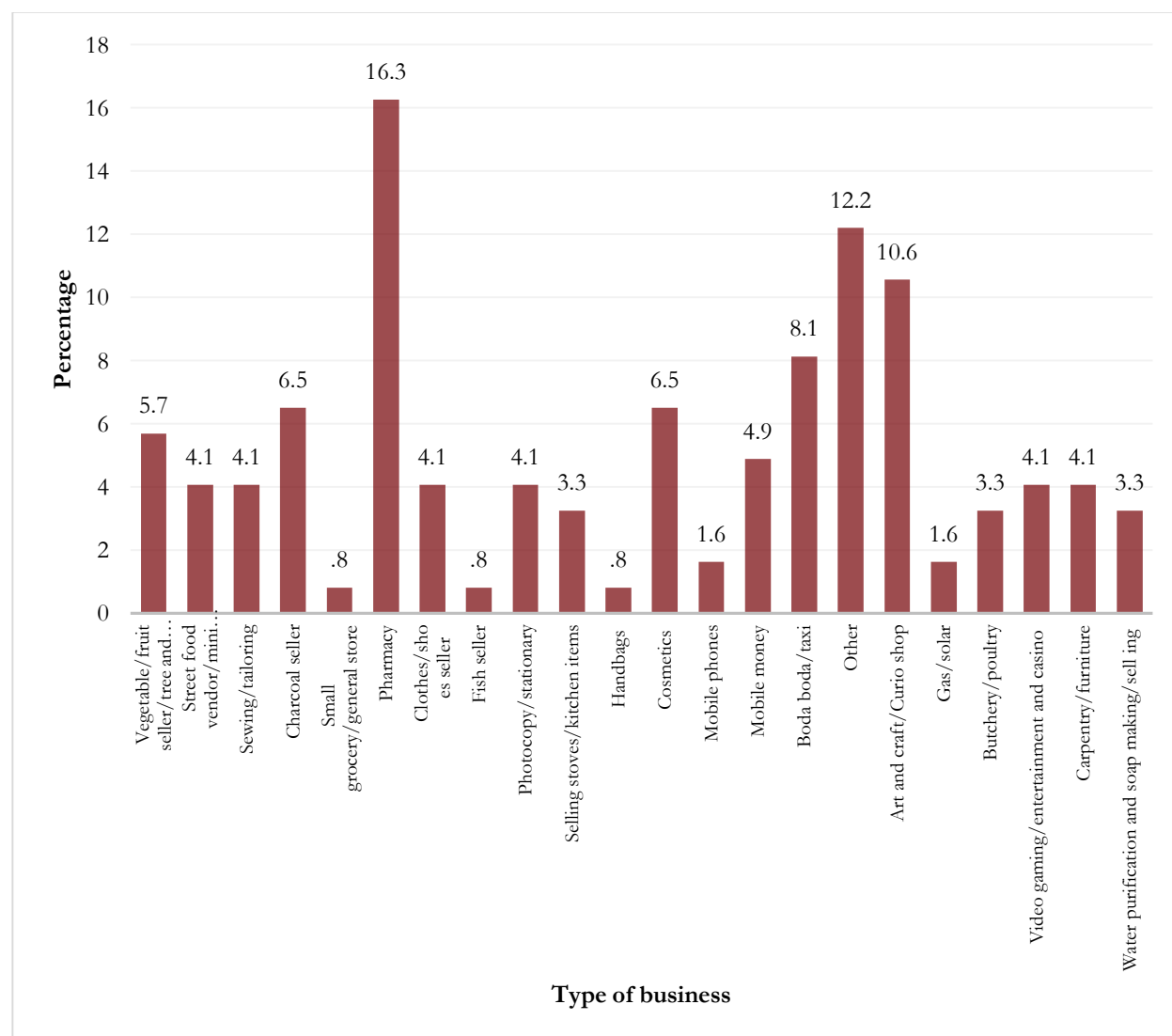
## BUSINESS TYPE

In addition to understanding the sectors of the economy where the entrepreneurs locate their enterprises, we examined the type of businesses being run by participants. Prior to data collection we developed a list of 28 types of businesses based on our preliminary scanning of the business activities<sup>6</sup> in Uganda and Tanzania. Our data collection plan was to sample participants from these business types and the business sectors as highlighted above. As the data and Figure 9 below shows we managed to obtain data from a wide typology of businesses. In the analysis process the list of business types was reduced from 28 to 22.

<sup>6</sup> We used the Tanzanian Ministry of Industry and Trade classification of medium and small enterprises.

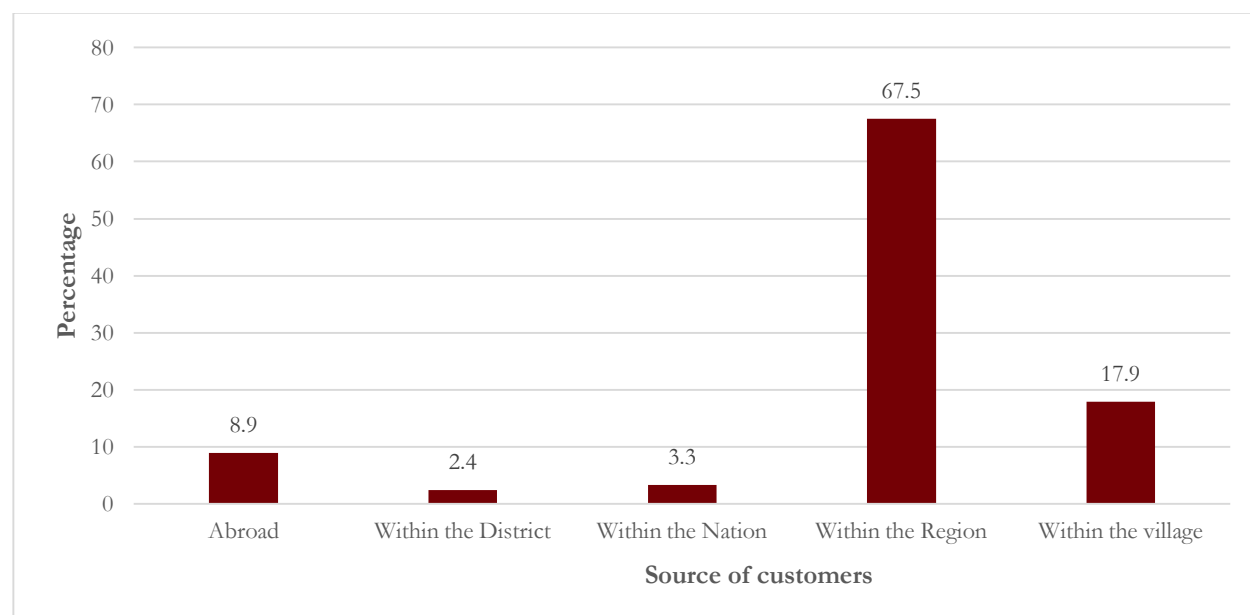


Figure 9 *Types of business (n=123)*



To understand the nature of the business activities of the entrepreneurs, we asked about the customer base of the business. Of the 123 businesses that we observed, 67.5% of the customers came from within the region. The region here refers to the Kilimanjaro region which is the territory making up what are also known as the northern highlands of Tanzania bordering Kenya. This was followed by 17.5% of the customers who came from within the village. The village here refers to very small locations within the rural parts of the city of Arusha. The tourism sector where a good number of the businesses were also based mostly reported that the customers came from other countries and this made up 8.9% as shown in figure 10 below. This shows that the businesses run by entrepreneurs who participated in the study mostly respond to the local economic needs.

Figure 10 *Source of customers (n=123)*



According to Bosma and Kelley (2018), authors of the 2018 Global Entrepreneurship Report, analysis of contribution of entrepreneurs to the economy often takes little consideration of domestic activities (duties performed in the home by a family member or dependents). These activities, such as childcare or housekeeping, are typically not measured by monetary amounts. In our understanding of job creation by VYEs, YEs and OEs we conceptualized job creation widely enough to see how these enterprises contribute to creating jobs that provide services in kind. Part of this understanding led us to ask the participants how many people depend on their business for financial support. The average number of family members that entrepreneurs supported through their business was five. Table 2 below shows the number of family members supported per age range of entrepreneurs. As we might expect, VYEs tended to support smaller numbers of family members than both YEs and OEs.

Table 2 *Number of family members entrepreneurs support through their businesses (n=112)*

		Family size supported by business								Total
		1	2	3	4	5	6	7	8	
<b>15-23 [Very Young Entrepreneurs] (VYEs)</b>	Count	10	3	1	7	8	2	2	1	34
	%	29.4%	8.8%	2.9%	20.6%	23.5%	5.9%	5.9%	2.9%	100.0%
<b>24-35 [Young Entrepreneurs] (YE)</b>	Count	6	1	12	14	10	9	3	2	57
	%	10.5%	1.8%	21.1%	24.6%	17.5%	15.8%	5.3%	3.5%	100.0%
<b>36 -Above [Older Entrepreneurs] (OE)</b>	Count	2	0	0	2	4	4	3	6	21
	%	9.5%	0.0%	0.0%	9.5%	19.0%	19.0%	14.3%	28.6%	100.0%
<b>Total</b>	Count	18	4	13	23	22	15	8	9	112
	%	16.1%	3.6%	11.6%	20.5%	19.6%	13.4%	7.1%	8.0%	100.0%

Having set out a descriptive overview of the characters of the VYEs, YE and OE that formed part of the study sample as well as their businesses, in the following sections we dive deeper into the research questions that guided the study by turning out attention to an analysis of the data on job creation. We start by examining how VYEs, YEs and OEs defined and conceptualized the role of

job creation. This is followed by the extent to which each grouping creates jobs. After examining the numbers and trends in job creation, we discuss strategies that VYEs, YEs and OEs use to create jobs. We then shift to focus more specifically on VYEs and examine areas of support they identified in order to be able to contribute to job creation.

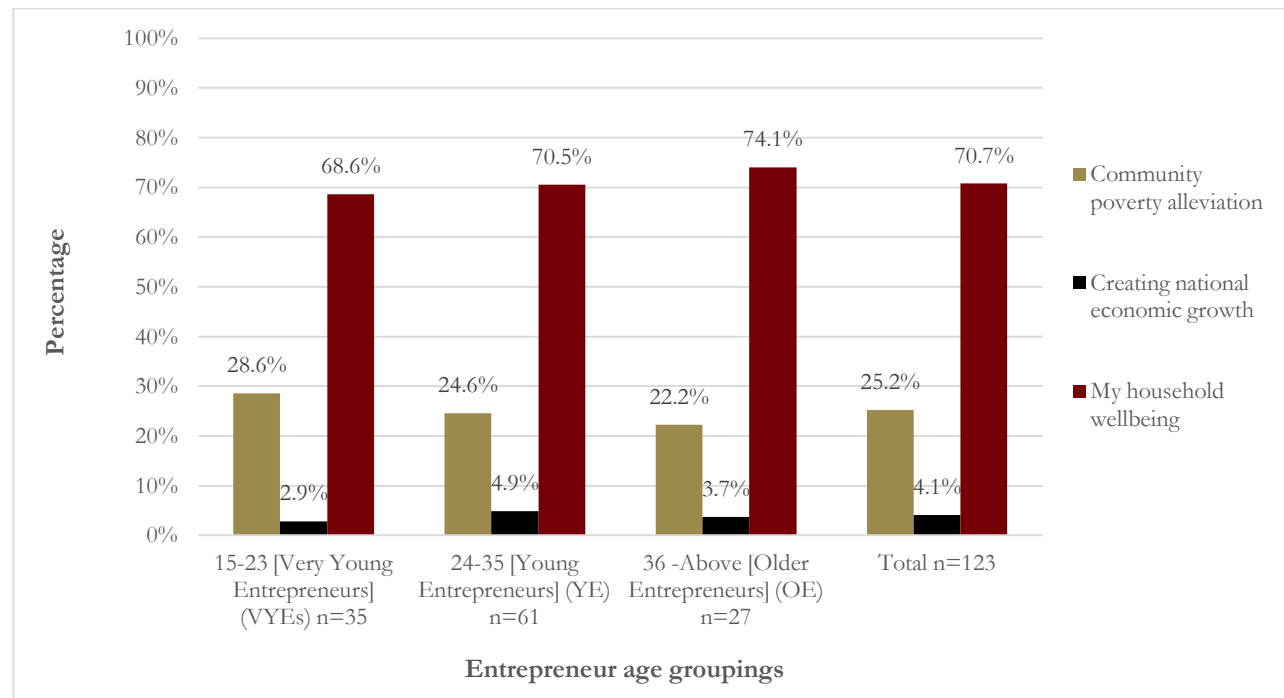
# UNDERSTANDING JOB CREATION

## DEFINITIONS OF JOB CREATION

Various stakeholders develop their own understanding of job creation as a human and economic development activity. The dominant distinction in defining job creation is a dichotomous one: job creation as employment vis-à-vis job creation as self-employment. There is an increasing acknowledgement of the importance of self-employment or entrepreneurship in job creation and national economic growth. Although a lot is known about how entrepreneurs generate new business and solutions, we lack understanding of the experiences of VYE strategies for job creation and areas where support is needed for creating jobs.

The results of this study show that most of the VYEs, YEs and OEs that we interviewed consider the primary purpose of their entrepreneurial activities as contributing to their personal household wellbeing. Nonetheless, the entrepreneurs in this study also acknowledged the importance of contributing to the national economy and the community through job creation and provision of services. Figure 11 shows that 70.7% of the entrepreneurs interviewed indicated that the primary reason for self-employment and entrepreneurship was to contribute to their household wellbeing. Although a slightly higher percentage of VYEs, 28.6% reported that their activities aimed at community poverty alleviation, the trend remains the same when examined according to age groups of the entrepreneurs. 68.6% of VYEs said that their entrepreneurship was aimed at their household wellbeing.

Figure 11 *Primary reason for entrepreneurship (n=123)*

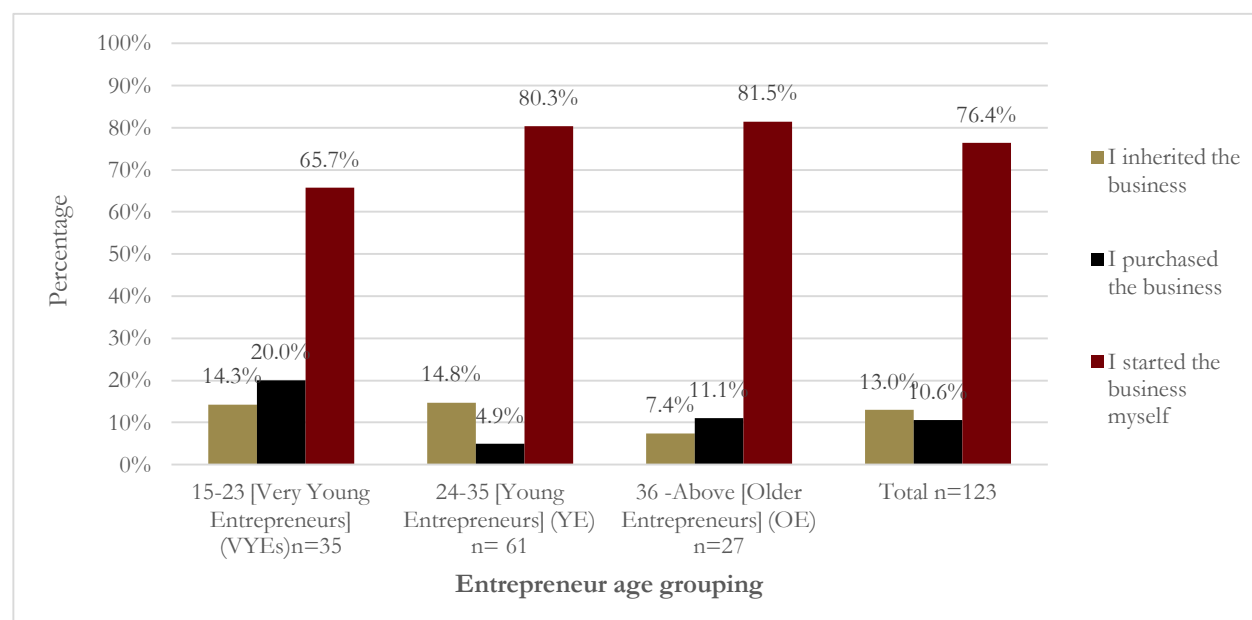


Job creation through entrepreneurship can be challenging due to fear of failure and lack of skills and capital. Entrepreneurship and job creation are also influenced by family, friends and social groups. According to Bosma and Kelley, (2018), authors of the 2018 Global Entrepreneurship

Report, in various contexts, solo entrepreneurship is considered rare<sup>7</sup>. The authors also report, for instance, that in the Middle East and Africa, only two economies (Madagascar and Lebanon) have more than 5 percent of their entrepreneurs going solo. It was also found that few entrepreneurs operate on their own without co-founders or employees, and with no intention to employ others. A similar trend was observed in our sample where a small percentage of entrepreneurs stated that they started their businesses alone.

Entrepreneurs in low-income economies contribute to job creation by necessity. The fact that most of the entrepreneurs in the sample stated that they started their businesses for household wellbeing indicates necessity rather than opportunity to do business. Given typically fewer employment opportunities, entrepreneurship provides a means for people to generate self-employment and jobs for others. Figure 12 shows how the entrepreneurs started their business by age groups. Across all three age groupings, 76.4% of the entrepreneurs stated that they started the business themselves as individuals. Although there are small differences seen across the age groupings, the trends remain consistent with most entrepreneurs agreeing that, “I started the business myself”.

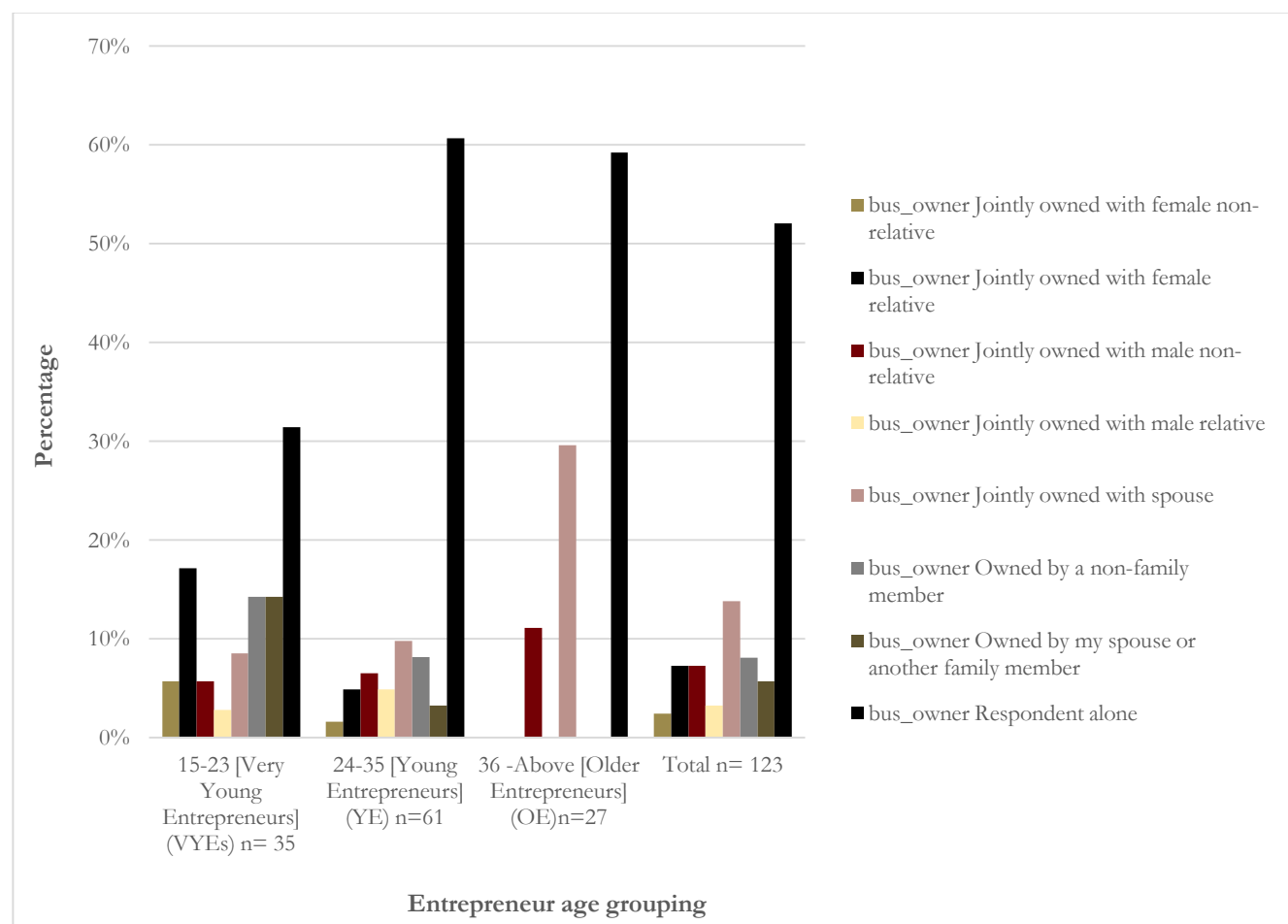
Figure 12 *Approach to starting the business (n=123)*



Another important aspect influencing job creation is ownership of the business and profits. In our sample, 52% of all entrepreneurs said they owned the business alone, while 13.8% stated that they jointly owned their business with their spouse. 76.4% of the respondents stated that they worked most of the time at the business. 78% of the entrepreneurs in the sample stated that they were fully in charge of the business income and sales. In Figure 13 below, we show business ownership by age. The data shows that 31.4% of VYEs said they own the business alone, just as 60.7 % of YEs and 59.3% of OEs. The second most predominant mode of ownership was that of joint ownership with spouse. Here 8.6% of VYEs said they owned their business with a spouse compared to 9.8 %of YEs and 29.6% of OEs who also said they own a business with their spouse.

<sup>7</sup> <https://www.gemconsortium.org/report/gem-2018-2019-global-report>

Figure 13 *Business ownership*



## THE EXTENT OF ENTREPRENEURS' JOB CREATION

### Multi-layered aspects of jobs

Job creation is understood at two levels. The first component of job creation is the self-employment by entrepreneurs themselves. This was discussed above in terms of business ownerships. This section focuses on secondary job creation by hiring and offering work for other people excluding the entrepreneurs themselves.

The primary interest was to understand the extent of job creation by VYEs and YE. We thus asked entrepreneurs how many people they employ on a full time and part time basis. We also asked how many employees were employed by the business in the past three years and how many employees either full time or part are expected to be employed in the years to come. Table 3 below shows a cross-tabulation of the numbers of full-time employment by each business according to age of the entrepreneurs.

Table 3 *Cross-tabulation of entrepreneurs' age with full time jobs created N=123*

	Age Group			Total
	15-23 Young Entrepreneurs] (VYEs)	[Very 24-35 [Young Entrepreneurs] (YE)	36 -Above [Older Entrepreneurs] (OE)	
Full time employees				
0	13	28	11	52
1	15	11	5	31
2	4	11	7	22
3	2	3	2	7
4	0	3	1	4
5	0	1	1	2
6	0	1	0	1
10	0	2	0	2
12	1	0	0	1
15	0	1	0	1
<b>Total</b>	<b>35</b>	<b>61</b>	<b>27</b>	<b>123</b>

In summary, at least 48% of all the 123 businesses had at least one full-time employee. Table 4 shows actual numbers of part-time employees according to the age groups. At least 30% of the businesses had a part-time employee. Table 5 shows the expected part-time or full-time employees in the next two to three years in actual numbers according to age groups. In short, at least 42% of the businesses have an expectation to have either fulltime or part-time employees.

Table 4 *Cross-tabulation of entrepreneurs' age by part-time jobs created N=123*

	Age			Total
	15-23 Young Entrepreneurs] (VYEs)	[Very 24-35 [Young Entrepreneurs] (YE)	36 -Above [Older Entrepreneurs] (OE)	
Part-time employees				
0	24	47	14	85
1	7	6	7	20
2	2	5	4	11
3	0	2	1	3
4	1	0	0	1
5	1	1	0	2
8	0	0	1	1
<b>Total</b>	<b>35</b>	<b>61</b>	<b>27</b>	<b>123</b>

Table 5 *Future expected employees*

	<u>Age</u>				Total
	Future expected employees	15-23 Young Entrepreneurs] (VYEs)	[Very 24-35 Entrepreneurs] (YE)	36 -Above [Older Entrepreneurs] (OE)	
0		16	29	7	52
1		8	15	9	32
2		7	8	1	16
3		4	2	3	9
4		0	3	2	5
5		0	1	1	2
10		0	1	4	5
20		0	1	0	1
50		0	1	0	1
<b>Total</b>		<b>35</b>	<b>61</b>	<b>27</b>	<b>123</b>

On average, the 123 businesses operated by the entrepreneurs we sampled across the age groups employ 1.42 people on full time basis. Table 6 shows the descriptive statistics and the average number of jobs created.

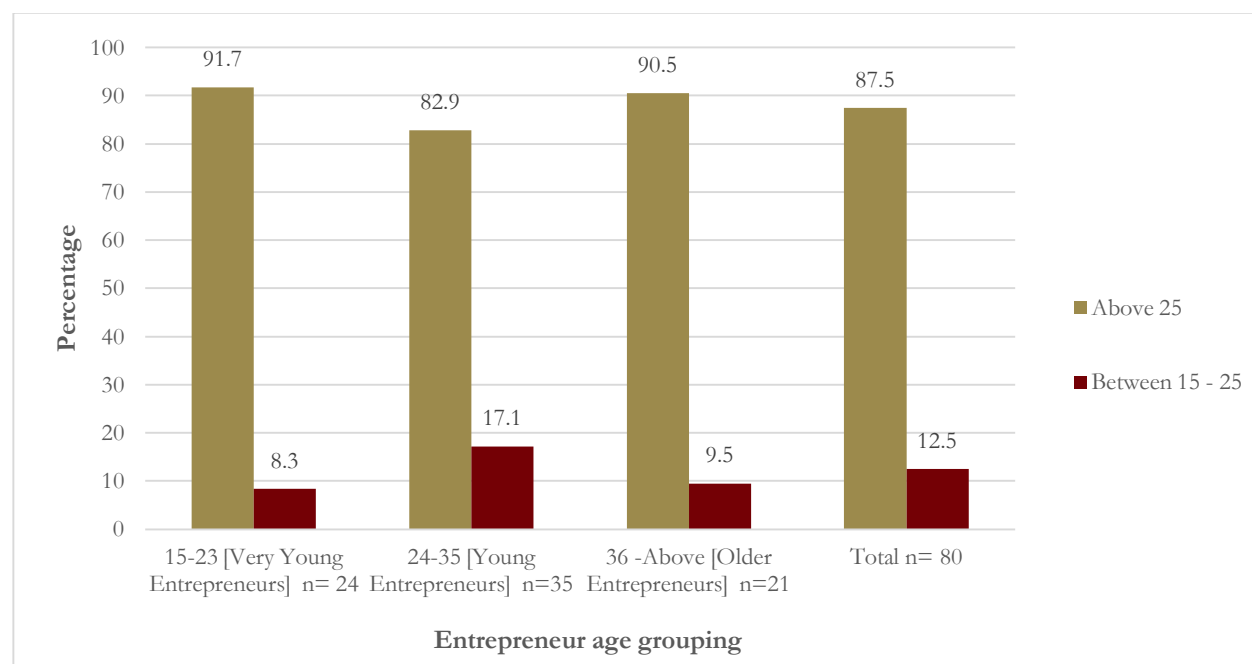
Table 6 *Descriptive Statistics of job creation N =123*

	Minimum	Maximum	Mean	Std. Deviation
Last three years employees	0	10	.86	1.565
Current full-time employees	0	15	1.42	2.312
Current part-time employees	0	8	.59	1.207
Expected employees	0	50	1.96	5.149

Additionally, we asked the age of the employees that entrepreneurs hired to know whether the employees are under or over 25 years. This is very important to understand the extent to which VYEs create jobs for other young people. The results in figure 14 below show that 91.67% of VYEs employ employees who are older than 25 years old, 82.86% of Yes, and 90.48% of OEs employ workers who are older than 25. Thus, while all age ranges report employing young people under 25, the majority of the employees were over 25.



Figure 14 *Entrepreneurs age groups cross-tabulated by employees age groups*



An Anova test of difference on the mean (average) number of jobs created was performed to assess the difference in job creation between businesses operated by entrepreneurs across the three age groups. We computed a sum of full-time and part-time employment to come up with a new variable of full and part time employment. We then tested difference on means on this new variable using Anova. Table 7 below shows the results of the t-test. The Anova test of difference of means showed that in general, there was no statistically significant difference between the average numbers of full and part time employees that were hired by VYEs, YEs and OEs businesses, *P-value* (.771) > 0.5.

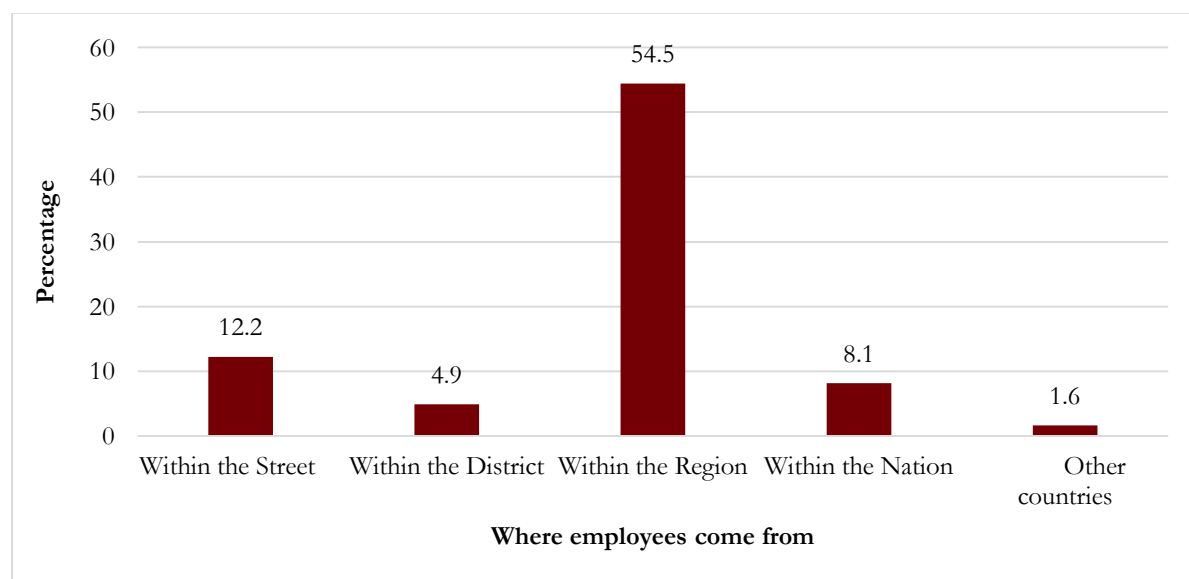
Table 7 *Anova test on difference of full and part-time employment of by age groups*

**Number of full and part time employees**

	Sum of Squares	Df	Mean Square	F	Sig.
<b>Between Groups</b>	4.025	2	2.012	.261	.771
<b>Within Groups</b>	925.943	120	7.716		
<b>Total</b>	929.967	122			

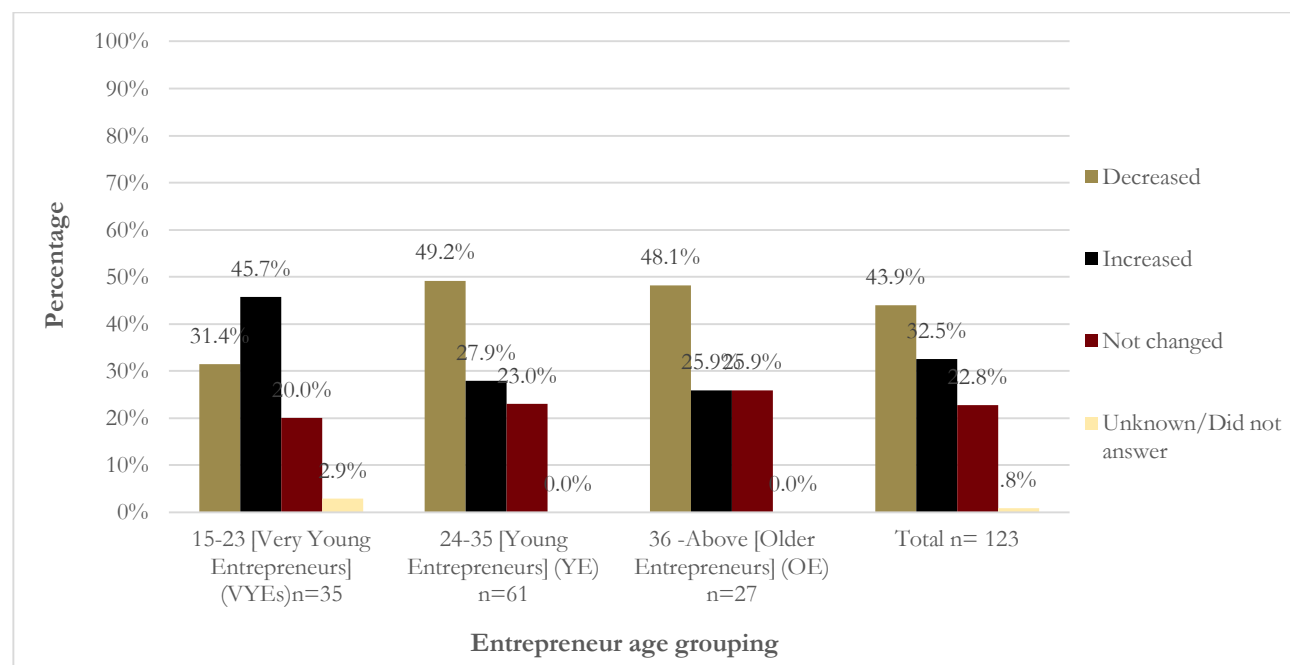
Entrepreneurs commonly contribute to economic growth in their local communities. Thus, we asked entrepreneurs where employees for their business come from. 54.5% of the sampled entrepreneurs stated that their employees came from within the region. 12.2% stated that the employees came from within the street and 4.9% reported that employees were sourced from within the district. Figure 15 below shows this information.

Figure 15 *Where employees come from*



The ability to create jobs, for all age groups, is influenced by the vibrancy of the economy and business performance. Some of the reasons that were given for the decrease in business performance, which in turn impacted job creation, are discussed later. Figure 16 below shows that 31.4% of VYEs, 49.2% of YE and 48.1% of OE stated that their business has decreased, compared to 45.7% of VYE, 27.9% of YE and 25.9% of OE who reported increase. In general, 43.9% stated that business has decreased.

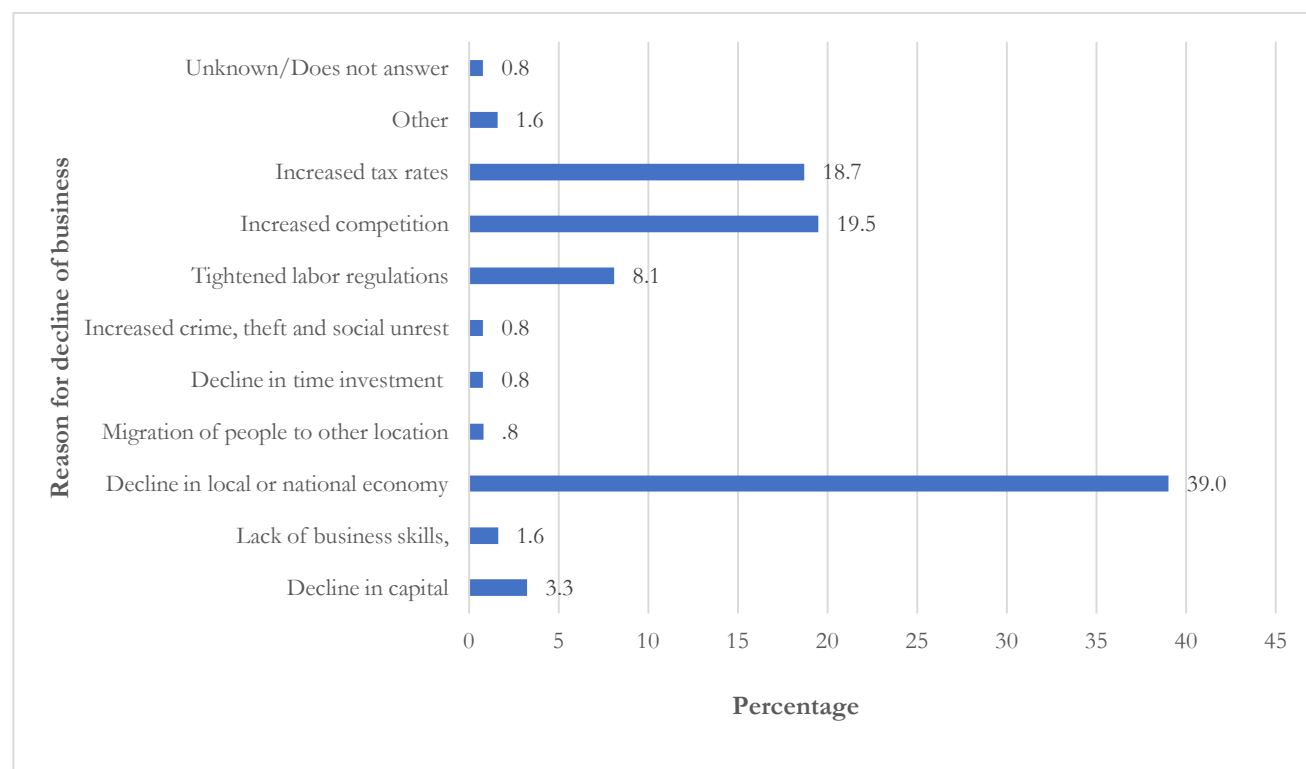
Figure 16 *Changes in business performance*



Several respondents, 39% of all entrepreneurs, indicated that the decline in the local and national economy was related to their decreased business success. Increase in competition was highlighted by 19.5% of the participants. This was followed by 18.7% of entrepreneurs who state that business

was declining because of increase in taxes on business. Figure 17 below shows other reasons that were offered.

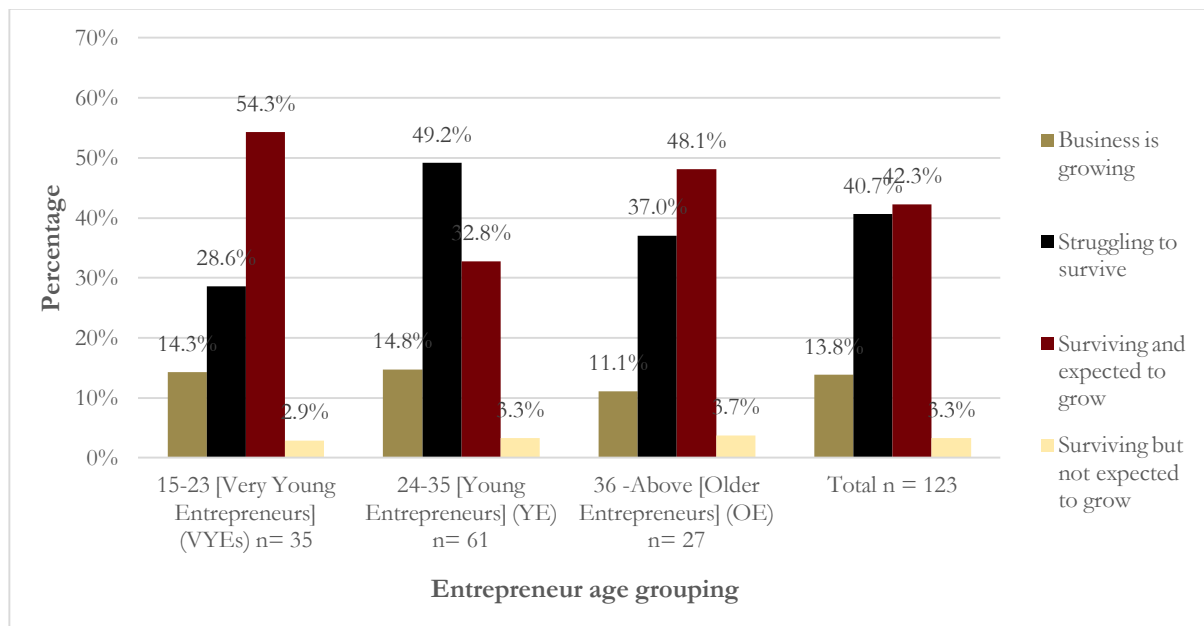
Figure 17 *Reason for decline of business*



## Expectation for growth

To the extent that entrepreneurs create jobs, they can contribute to employment and wellbeing in their societies. In low-income countries like Tanzania, entrepreneurs play a major role in advancing their local economies. Although 42.3% of entrepreneurs in the sample indicate that the business income has decreased, the majority remain optimistic about future growth of their businesses. VYEs also show resilience and expectation for growth. Figure 18 shows that a total of 14.3% of VYEs report that their business is growing, while 54.3% state that they expect that their business will be surviving and is expected to be growing.

Figure 18 *Expectation for business to grow*

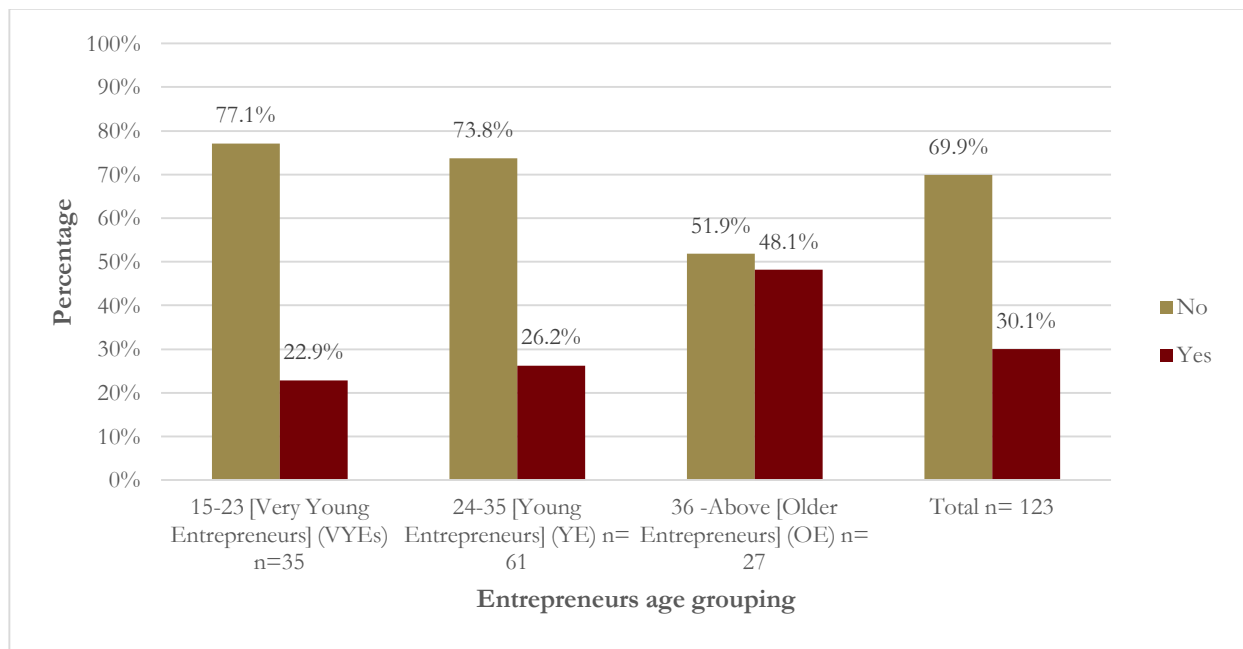


The key reason that was mentioned by most respondents for the expected growth of the business was increased skills, experience, and knowledge of the business, which was 26.8%.

## Innovation for job creation

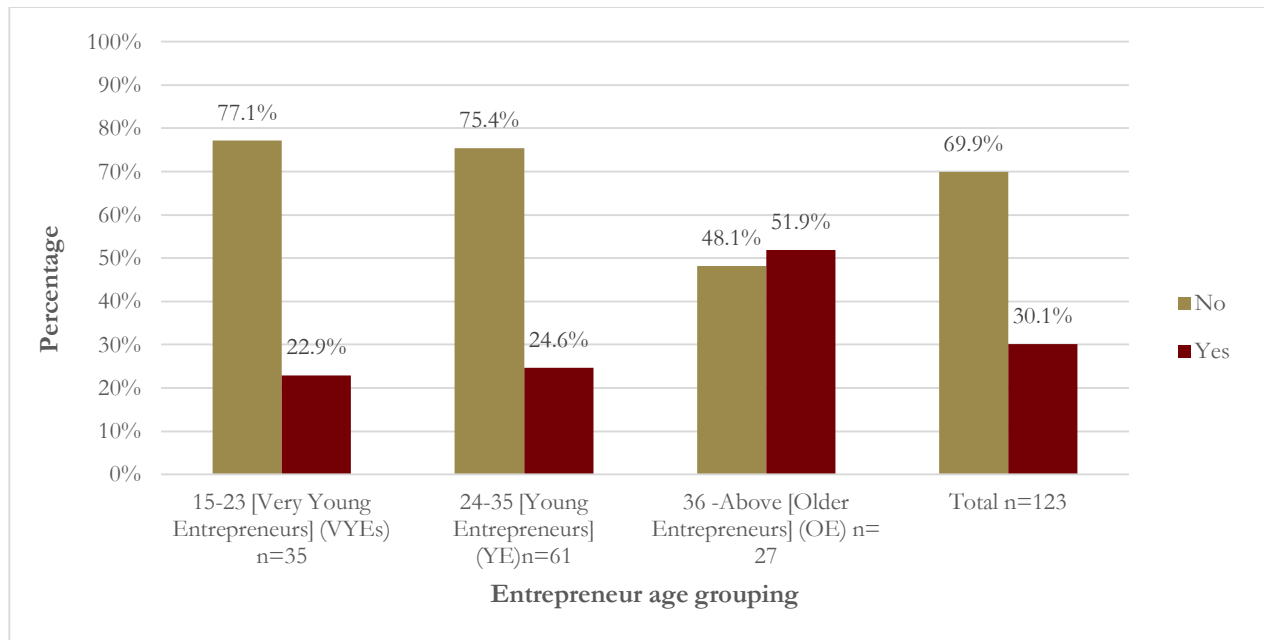
We defined innovative entrepreneurs as those who state that their products, services and processes are new to all or some customers and for which there are no or few competitors and that this resulted in new jobs. According to Herrington & Coduras, (2019) innovation is demonstrated most in new businesses or businesses that fall within the technology sector. We asked VYEs, YEs and OEs if their businesses introduced a new innovative service or process that would result in employing people. Overall, 69.9% of the sampled entrepreneurs stated that they did not introduce any new innovative service. Figure 20 below shows a cross- tabulation of the results according to the age categories. When cross-tabulated according to age, 22.9% of VYEs versus 26.9% of YEs and 48.1% of OEs reported that they introduced a new innovative service that would result in creating jobs.

Figure 19 *Introduction of new innovative service*



Similarly, we asked entrepreneurs whether they introduced a new innovative business process such as modern payment methods or delivery of business services and products that would require them to employ people. Most entrepreneurs said no. Here, the difference was notable when cross-tabulated according to entrepreneurs age as displayed in figure 20 below.

Figure 20 *Introduced a new innovative process*



While 22.9% of VYEs and 24.6% of YEs agreed that they introduced a new innovative process, this increased to 51.9% for OEs. We can tentatively associate this with experience and access to higher levels of business capital among OEs.

## Entrepreneurial job creating strategies

Jobs creation is central to entrepreneurship development as well as contribution to individuals' (youth's) and national economic prosperity. The Tanzanian government has identified entrepreneurship as a strategy that can contribute to creating jobs for youth in the country (Policy on Youth Development, 2019).

In the Tanzanian context, and arguably the entire African continent, creating jobs through entrepreneurial activities and innovation is critical given the increasing youth population and unemployment rates (African Development Bank, 2017). However, an important question we explore is what strategies and under what conditions do VYEs, YEs and OEs create jobs? To explore and understand ways in which younger and older entrepreneurs create jobs, five strategies were identified from the analysis of data obtained through in-depth interviews.

In addition to the normal self-employment and normal full-time and part-time jobs, which was often called *ajira* in Kiswahili, the first strategy that VYEs, YEs and OEs use is that of apprenticeship. In Arusha, this job creation strategy is known by its localized concept of Nyoka<sup>8</sup>. This strategy can be described as unorthodox or unconventional, although very popular among entrepreneurs. Through this strategy, entrepreneurs informally create opportunities for youth, particularly young men, as they allow them to use their facilities and premises to engage in different activities as a way of offering services to the customers and at the same affording the youth an opportunity to learn and developing different skills and experience – in an apprenticeship approach. This was common in the transportation sector that involves motorcycles and Bajaj<sup>9</sup>. This sector creates many jobs for youths who are mostly uneducated but are willing to learn through practice under the guidance of the more established entrepreneurs. When asked to describe this form of job creation, one interviewee stated:

*I have few nyokas with me. They come here and I give them opportunities to use my space to fix people's motorcycles, Bajaj and sometimes cars. These nyokas come from different places around the country. I do not pay them salaries or any particular or fixed wages. What happens is if one nyoka fixes someone's motorcycle and we get paid, that nyoka gets a certain percentage but at the same time the nyoka learns and one day they will have their own activities, space, to bring and train nyokas as well. I have trained so many who started as nyoka and now they own their business. The advantage for me is that I help many youth but at the same they are using my premise where I do have a spare shop, so most of the spares that the nyokas use in fixing the motorcycles, Bajajs and cars come from my shop (Male – OE – Spare parts and workshop).*

When asked to define and explain why they use the concept of nyoka to describe these youths, one interviewee stated that the concept of nyoka was initially coined by entrepreneurs to refer to the “under age” boys who were seeking for employment but were not ready. Because those boys lacked experience and knowledge, they were being used as messengers. Over time the concept of nyoka has evolved and now it is used to refer to those youths who are seeking employment but they have to work under someone first, use his/her facilities and premises and later start their own workshops and related initiatives. As stated in these quotes:

*The idea or concept of nyoka started very informally as you know many Swahili words emerged in informal settings. You know what (nyoka) – snakes are all about, they roam around, can be many and often with no purpose and direction. So, because these youths are so many and jobless, they come here asking and looking for jobs, so because of that people decided to call them nyokas. It is a strange concept, but people understand what it means. However, we have seen so many youths who have come out of similar system and are now successful (Male – VYEs – Spare parts and workshop).*

*I started as a nyoka and later on, I did not get (along) well with the owner of the place. I had saved some money so I decided to start my own workshop and a shop where I sell motorcycle spares. I have about 6 nyokas now who are*

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<sup>8</sup> Nyoka is a Swahili term, which means snake.

<sup>9</sup> Bajaj is small three-wheeled automobile used as taxi. It's very common in East Africa

*working here. They come fix people's motorcycles and are paid based on how many motorcycles they have fixed. What is seen often is that when I share my story with these nyoka, I inspire them a lot and they believe that one day they will make it as well (Male- YE- Spare parts and workshop).*

There appears to be no specific training or structures within the nyokas work. However, the established (older) entrepreneurs use different funds of knowledge and experiences to ensure that within the informal training, these youth receive the basic training needed. The responsibility of providing training rests on the established (older) entrepreneurs themselves, assisted by other experienced nyokas. One interviewee expressed such approach that:

*We normally do not have specific trainings and steps that we follow. The nyokas come here and ask to be part of this workshop. What I normally tell them is to respect the work they are doing and respect customers. I encourage nyokas to provide good service because inasmuch as they are learning and gaining experience, they do represent my name and my shop. Therefore, they must always regard this as an office because one day they will open their own spaces. I do not teach them every day but since we do get customers most of the time, I believe whatever I tell them even if it is not on a regular basis it helps them a lot (Male- OE- Spare parts and workshop).*

What is clear from the interviewees' perspectives is that the nyokas system has great potential to contribute to jobs creation. However, the system appears to connote some elements that mirrors quite closely the cheap labour approach to employing youths. This is due to the unstructured, informal and potentially exploitative nature of the activities these youths undertake.

The second strategy identified is that of *Msaada (household help)* by overseeing the established initiatives/businesses. This strategy is common among entrepreneurs who own two or more businesses. As a way of being able to control their multiple businesses, the responsibilities of running the day-to-day demands and activities of the business is set upon the husband, wife or a relative. Most interviewees expressed that they prefer such strategy because most employees are not trustworthy. In their views, they believe that the business or any other initiatives are safer when they are under a husband, wife or any family member because of trust. It appears that it takes time for established OEs to trust employees because once they understand and get used to how the business is run and the prices of items, they become manipulative. Although, this strategy does contribute to jobs creation in some ways, the challenge of not being able to find trustworthy employees impairs the ability of older entrepreneurs to offer jobs to youths. Consider this example:

*We have two businesses; I work full time here and my wife work in the other shop. Here we only sell different kind of shoes and my wife's shop we sell rice and bean in bulk. We cannot employ people because it is hard to get someone you can trust and even when you employ someone and over time you trust that person, it is hard because they get to a point when they start stealing from you. For example, if an employee takes 1kg of rice today and sell will you know. We have seen people who own businesses complaining about employees so we decided that will not be employing people (Male – OE – Shoe shop).*

Another entrepreneur who is involved in selling educational materials (stationery) held similar views that the issue of many youths being untrustworthy is making it hard for entrepreneurs to consider employing someone in their shops:

*I would not employ anybody here because they steal money. Sometimes what they do is that they increase prices of the items and take a small amount, so customers do complain that the price has gone up these days. But when you look at it you find that it is an employee who added the price and such behaviour chase customers away and it is hard to trust an employee (Female – YE – Grocery shop).*

However, the nature of business or initiatives entrepreneurs engage in plays an important role in influencing entrepreneurs in their quest to create jobs for other youths. For instance, some entrepreneurs who own well-established butchers and furniture workshops do employ youths. In their perspectives, it is hard for employees to steal meat or furniture. As explained in these excerpts:

*I have few employees and I have been with them for about 4 years. I don't have much problem in terms of trust. My wife oversees all the money that comes in. The employees' job is to make sure the slaughtering is done; we have enough*

*stock and machines are in good condition. So, trusting employees is not an issue because the nature of our business is easy to monitor (Male – OE – butchery).*

*Here we make furniture as you can see. I have about 6 employees who work under me. Basically, it is me who is in charge and employees are just here to help assemble this furniture. An employee cannot steal here because we know exactly the number of beds that have been made, so there is no way an employee can steal something here (Male – young – carpentry/furniture).*

Nevertheless, beyond the issue of trust, it appeared that some OEs are unwilling to employ youths because of the cost of paying them wages given the current difficult business environments. Therefore, shops owners prefer not to employ people:

*You have to think, for instance, here in my small shop even if I employ someone and give that person Tsh<sup>10</sup> 3000 or Tsh 2000 for food and before he/she goes home I give him/her another Tsh 3000 or Tsh 2000, so that is Tsh 5000 per day. Where are you going get that money every day and you have not sold anything? You are going to make that person get lost and wasting his/her time. So the whole day you put someone here and no business, that is why you see people (owners) of business spending most of the time in their shops and business rather than employing people because they think what am I going to pay that person and the business is not selling or making any profit. So better that person goes look for a job in hotel or restaurant since in the hotel they pay according to how many customers you have served. The hotel owner will always pay that person a wage because the food gets finished easily (Female- OE– selling second-hand clothes).*

While some entrepreneurs argued that they do not employ youth because of trust and cost issues, under surveillance or close supervision, others do employ youths through what can be described as ordinary or normal agreements. According to some interviewees, through this strategy youths are employed on full or part time basis often as shopkeepers/sellers. The modality of this strategy is that an established entrepreneur searches for a youth with high potential and offers a job to her/him. From the analysis, personality and ability to interact with customers emerged as the two main criteria entrepreneurs are looking for before employing someone. In addition, when asked to explain the kind of agreement that they make with their employees, it appeared that in most cases it is a ‘verbal agreement’ between employers and employees. One of the most intriguing elements of this strategy is that most entrepreneurs prefer female employees. When asked to explain such preference, the issue of trust surfaced:

*Sometimes we do employee youths on verbal agreement. We prefer female employees because they can be easily manipulated and they are also less manipulative. Therefore, we just look at you and ask one or two questions and from there we know you can do the job. Of course, I must do an orientation for few days to enable an employee to understand one or two things particularly the prices and how to deal with customers (Female – OE – utensils).*

Such unstructured and informal ways of employing youths is attributed to the lack of or ineffective or weak implementation of government or labour law requirements. When asked whether there are government conditions or labour law that guide entrepreneurs when employing someone, most interviewees explained that there are no regulations in that regard. As captured in this statement:

*We do not have any conditions or government requirements in terms of employment. It is an agreement between the potential employee and me. So even the wage we negotiate, but as you know we shopowners kind of know how much an employee should be paid (Female – YE– mini supermarket).*

Another strategy that is worth capturing is that of “*kurithi*” or inheritance. This strategy is dominant in the transport sector, particularly given the growth and expansion of transport sectors, as evidenced through an increasing number of different modes of transportation. Through this strategy, entrepreneurs who own motorcycles and Bajaj contract youth, often for one or two years. When this period expires, the motorcycle or Bajaj becomes an employee’s property. As explained by several interviewees, the *modus operandi* of this contractual system is that an employee is required to bring in a certain amount of money daily or weekly for one or two years depending on

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<sup>10</sup> Tsh – is an acronym of Tanzanian currency called Shilling



the terms of the contract. The main reason behind using contract approach is that for a long – time, employees were not faithful, did not work hard and did not care much about the wellbeing of the motorcycle or Bajaj. However, by contracting employees, it gives them a sense of responsibility, ownership and awareness. This strategy is astutely captured in these extracts:

*I started as a motorcycle driver working for someone. We signed an agreement (contract) that he gives me a motorcycle I drive people (customers) around and give him Tsh 30000 everyday and after one year that motorcycle becomes mine. So, after owning that motorcycle, I used it to transport people around and made some money which helped me to buy a Bajaj (an advanced version of motorcycle). So, I have been making money from this Bajaj and I have a contract with one family where I take two kids to school everyday and they pay me Tsh 160,000 per month. So, from transporting people around and having a contract with this family I do generate good money and I am thinking of buying a minibus so that more families can use me to transport their children to school. That is my next plan (Male – YE – transportation).*

*So many Bajaj and motorcycle owners, what they do these days in order to avoid disturbance, they use contracts because with the contracts if you agree it's two years and you don't bring the money agreed, let's say Tsh 20000 per day, the owner may take the Bajaj or motorcycle and you won't get anything. So that has made employed drivers to be more disciplined and work hard to make sure they adhere to the agreement. So, for me because of that, I felt that it's either I sell the Bajaj or give it away on contract and buy a minibus (Male –VYE– transportation).*

Although this strategy is heralded for its contribution to job creation among youths in the country, some interviewees raised concerns regarding the ability of youth to think in a more sustainable, progressive and cohesive manner. As explained in this statement:

*Yes, it has created so many jobs. Look around and what do you see? You see motorcycles and Bajaj all over around you and who are involved it's youth like me. Most of them are employed and very few own those motorcycles or Bajaj. There are so many jobs that have been created because of these motorcycles but the only problem is that are these youths ready to think ahead - kujiongeza<sup>11</sup>? Some are happy to be just drivers while others like me we told ourselves we cannot be employed as drivers forever and that's why we decided to go the contract route so that eventually the motorcycles become ours and you use them to our own benefit and be self-employed. This is not only in Arusha; you find youths throughout the country involved in Bajaj and motorcycle transportation (Male –VYE– Transportation).*

The last strategy identified is that of “kilimo vikundi” or group farming venture. This strategy is mainly common among university and college graduates who are interested in investing into small-scale agriculture. According to the youths interviewed, they form a small group and seek support in terms of capital from relatives, friends, groups or other official loan agencies. After getting financial support, they put the money together, rent a piece of land and grow onions, tomatoes, cucumbers or watermelon, depending on the demand. The money generated after harvest and sale is divided equally among them. What is interesting about this approach is that each member contributes equal amounts when starting the farm and has the same responsibility as others when it comes to day-to-day running of the farm. Although this strategy has great potential to open job opportunities, it appeared that the youths involved in farming are not doing it because of interest or inclination toward self-employment. Rather, they are compelled to do so due to lack of employment opportunities. Such a view was clearly explained by one youth:

*I have friends that we graduated together in 2016 and since then there are no jobs available in terms of public sector employment. So, we came together and decided to form a venture where we put money together and of course we had to ask our parents to give us capital. Then we start planting onions. We thought this is the only way for us to do something useful than just being on the street doing nothing. But it is hard because agricultural activities are unpredictable. For example, last year we planted onions but we got nothing because there was too much rain, so this year we are trying to plant cucumber and our target is to sell during the season when there is low supply of cucumbers (Male – VYE – agriculture/farming).*

Nevertheless, one interviewee was critical of the difficulties of ensuring commitment and equal participation among the group members. In fact, due to the difficulties of engaging and managing agricultural activities, some group members drop out during cultivating, seedling, planting seeds

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<sup>11</sup> Kujiongeza is a Swahili term that implies the capacity to do things beyond what is possible and obvious

and related processes. Such was identified as one of the major pitfalls of this job creation strategy among youths. Consider this quotation:

*We started 5 of us but we ended up only 3 of us; our two friends dropped out. Farming is hard and not for everyone. We must move closer to the farm, wake up early in the morning and do a lot of manual work and you are not guaranteed that you will harvest in the end (Male –VYE– Agriculture/farming).*

In a nutshell, the five common job creating strategies used by entrepreneurs in Tanzania can be summarized as follows:

1. “Ajira” (normal self-employment or employee jobs)
2. “Nyoka” (Apprenticeship)
3. “Msaada” (household help)
4. “kurithi” (inheritance)
5. “Vikundi” (Group venture)

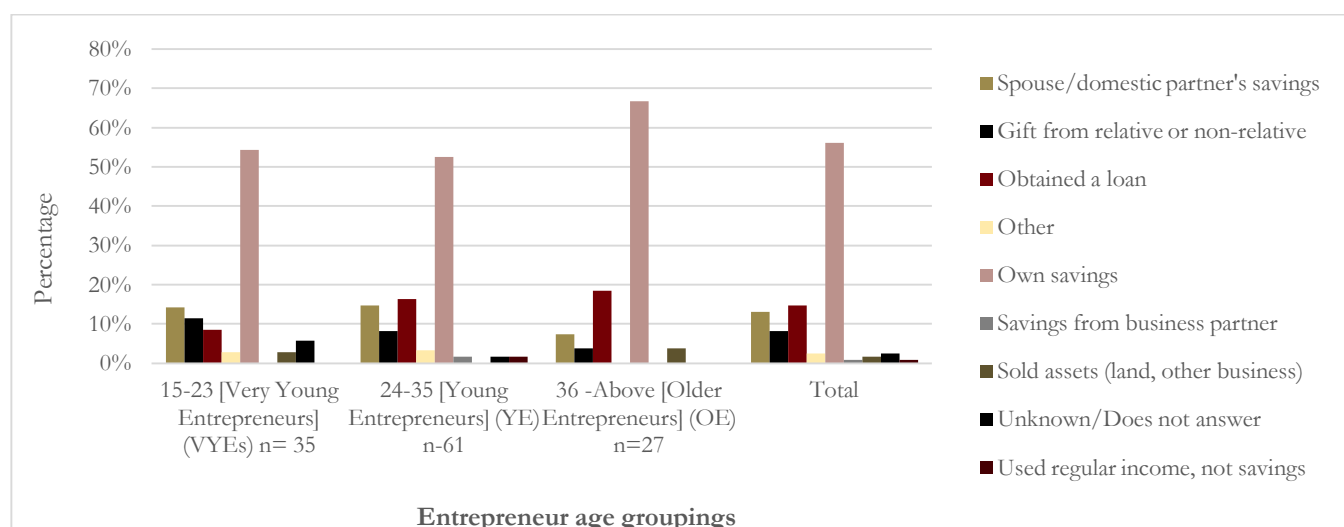
The best way to describe the job creating strategies that entrepreneurs use in Tanzania is a general workforce environment in which short-term engagements, temporary contracts, and independent groupings are commonplace. While the VYEs, YE and OE appreciate the role of these strategies they also highlighted the need for support to make job creating environment better. The following section examines the areas that need support.

## SUPPORT TO ENABLE ENTREPRENEURS CREATING JOBS

The national entrepreneurship context is critical for businesses to create jobs. The qualitative component of the study focused more on understanding the challenges and strategies that could better the context for entrepreneurs to create jobs for themselves and others. In this section, we highlight some critical areas that the entrepreneurs – across ages groups – suggested could be supported to provide better conditions for job creation and business.

The first area of support is entrepreneurial finance. Entrepreneurial finance describes where the entrepreneurs obtain or sourced capital to start their business and whether there are readily available funds for current and potential entrepreneurs to access them.

Figure 21 *Source of capital to start business*



As figure 21 shows, most entrepreneurs stated that they used their own savings as capital for starting their businesses. Here we see that 54.3% of VYEs and 52.5% of YEs use personal savings as a source of business capital. This is a little different from the 66.7% of OEs. The accessibility and efficient functioning of lending markets and the availability of typical financing channels for entrepreneurs is a huge challenge highlighted by VYEs. Most of the entrepreneurs interviewed suggested the need to improve access to capital. This includes informal investments, community banks/village banks, government loans, grants and subsidies, as well as crowdfunding. Only 8.6% of VYEs said they obtained a loan as a source of capital.

The second area that was mentioned as critical and needing support was government policies that support entrepreneurship and job creation. In the qualitative interviews, most respondents suggested that there is a need for specific regulations to improve conditions for the self-employed workforce and small and medium enterprises (SMEs). The current government has, for example, allowed people to do business anywhere including on the streets, but these policies are not favorable for all businesses because they introduce unnecessary competition and disorder. Some referred to this as the *“fanya biashara popote”* (do business anywhere policy).

Government policy on taxes reflects the degree to which taxes are affordable and balanced for entrepreneurs, or whether they constitute a burden to starting and growing businesses. As was highlighted earlier, 19.5% of the entrepreneurs stated that business performance had decreased because of increased competition, 18.7% mentioned increased tax rates and 39% highlighted the decline in local national economy. VYEs, YEs and OEs mentioned the need to reduce taxes and offer tax breaks for entrepreneurs. In addition, internal market burdens or entry regulations were also presented as another important component that needs to be supported. VYEs, YEs and OEs surmise that the overall state of a market in terms of the absence of burdens entrepreneurs encounter upon entering markets, and regulations that can facilitate, rather than undermine, these efforts are highly needed. This is the sector where various stakeholders could help with lobbying the government to improve the microeconomic conditions that facilitate job creation. As described in this statement:

*I really want to find Machinga<sup>12</sup> – who can carry my stuff and work around or find a place on the road and sell my stuff because they don't pay tax; you only need an ID which they pay Tsh 20,000 per year. Because those guys who walk around are selling more than us. They sell similar stuff but sell it very cheap, but they do not pay tax, they do not pay rent. So, if a customer come to my shop I tell her/him that this plate is Tsh 4000, and a Machinga sells the same plate for let say Tsh 2000 where will this customer go buy? When the current President came into power, he announced that people can do business anywhere even in front of shops that are registered and pay tax. So that's why when you walk around the street you see business everywhere and even some roads have been blocked because people are doing business everywhere (Female – YE – selling kitchen utensils).*

A related point that was highlighted was the need for both local and national government entrepreneurship programs. This factor highlights whether and how public agencies are providing specific programs for entrepreneurs. This includes subsidies and loans, capital generation, incubators, and agencies that assess and advise entrepreneurs. Most entrepreneurs mentioned that job creation in Tanzania requires that local and national government offer programs that can facilitate job creation. Consider these extracts:

*For me youth need to be empowered through loans especially small loans with either no interest or small interest so that they can start something. Giving youth IDs or tag is not helping, because they end up selling tomatoes on the road and with that you have not helped that youth. “If you want to milk a cow you must feed it first”. Therefore, if I am to meet the government and other stakeholders, I would tell them three things: Support youths through small and affordable loans; provide entrepreneurship education for youth; support sectors that are suitable for job creation (Male – OE- Tourism Company)*

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<sup>12</sup> Machinga is a Swahili word that refers to someone who carry items and sell around the streets.

*Now government is saying that there are loans for youth and young women. But we are just hearing, it is like stories, they are saying those loans are there, but when you follow up in terms of process there are difficulties and some bureaucracies. They say people should be in groups for them to be able to be given loans, but I cannot just accept to join with someone I do not know, I do not know her heart, I do not know her challenges and how she thinks. It is different from supporting an individual on her own. But to say get other people and form a group of 5, let's say, makes it hard because I don't know how the other 4 women will think about that money or use that money and type the of business they can do. So, you find that 5 women went to get the loan but, in the end, only two are repaying the loan. We need better loan services (Female – OE– Secondhand Clothes)*

Entrepreneurship education both at school and after school was mentioned as an important area that needs support. While some entrepreneurs mentioned that they got skills on business from school and university, others indicated that entrepreneurial skills are not easily developed. Entrepreneurial education in primary, secondary, higher learning institutions and at informal education levels were highlighted as important areas that can be supported. Speaking about teaching entrepreneurship education in higher learning institutions, one key stakeholder from the Ministry of Labour, Employment and People with Disability stated that:

*For the university or college graduates to be self-employed they must have education and skills that will enable them to be entrepreneurs and undertake self-employment activities. Entrepreneurship education is not being offered in our higher learning institutions and if it is offered then it is not sufficient to enable graduates to be able to be innovative, problem solver and risk takers (Male – Officer- The Office of Prime Minister, Work, Youth, Employment and People with Disability).*

Entrepreneurship as a job creation strategy is impacted by cultural and social norms. Gender discrimination and security issues often cause? young women to move away from business. Whether and how society exhibits an entrepreneurship focus within the culture through behaviour, beliefs, language and customs is important in creating jobs. This can encourage entrepreneurs by demonstrating acceptance, support and high regard for their activity. Most entrepreneurs suggested that there is still a long way to go to help youth to appreciate business as a real income generating activity. Lack of innovative ideas and fear of failure were mentioned as areas that need support in order to contribute to job creation. For example, referring to transportation business, one interviewee expressed that:

*I think this business isolates women and it is because of the nature of the business itself. This transportation business is very physical and unsafe. So, most women are afraid of doing these activities. Imagine a woman using a motorcycle to drive people around and sometimes in dangerous streets and unsafe areas. So naturally they are scared but men can do that and customers are used to being carried by men not women. I think we need to find solution for that because there are so many women who can drive Bajaj but because of that stereotype, they do not get involved in this (Male – YE – transportation).*

This point was also expressed in connection with the need for positive stories and publicity about successful VYEs, YE and OE. There is limited attention from various types of media that provide focus on the positive contribution of entrepreneurs in job creation. The image that people often get in media is that of lazy, violent youth. This image needs to change and highlight the important contribution of youth in job creation. The areas of support noted and by which grouping in the research is summarised below.

Table 8 Summary of areas needing support mentioned summarized by age

Theme	Examples of areas	Mentioned by VYE	Mentioned by YE	Mentioned by OE	Stakeholders
1) Entrepreneurial finance	Finding and generating sources of capital	Yes	Yes	Yes	
	Affordable loans	Yes	Yes	Yes	
	Banking/community banking		Yes	Yes	

Theme	Examples of areas	Mentioned by VYE	Mentioned by YE	Mentioned by OE	Stakeholders
2) Policies and programmes that supports job creation	Reduce/remove tax and fees	Yes	Yes	Yes	
	Removing business restrictions			Yes	Yes
	Mindful of youth diversity and backgrounds	Yes		Yes	Yes
	Control non-registered street vending		Yes	Yes	
3) Entrepreneurship education and skill development	Trainings and workshops		Yes	Yes	Yes
	Learning through practice			Yes	
4) Changing cultural and social norms on business	Cultivating saving culture		Yes	Yes	
	Changing youth attitude and mentality			Yes	Yes
	Addressing negative stereotypes about youth	Yes	Yes	Yes	
5) Infrastructure that promotes business	Better business spaces	Yes	Yes	Yes	

In Tanzania there is a growing need for physical infrastructure. Infrastructure facilitates communication, transportation, and business operations nationally and internationally through aspects such as high-speed Internet and cell phone service, real estate (land, buildings), reliable utilities, and advanced highways, railways and more. While VYEs, YEs and OEs acknowledge that electricity and water supply has improved in Arusha and that the city and the government has tried to construct and improve roads, spaces for doing business remain very limited and entrepreneurs are paying high rates for rent. Some also mentioned that businesses especially in agriculture and food were affected by poor facilities because they lack storage for fresh produce, which ends up rotten and wasted. The following example explains:

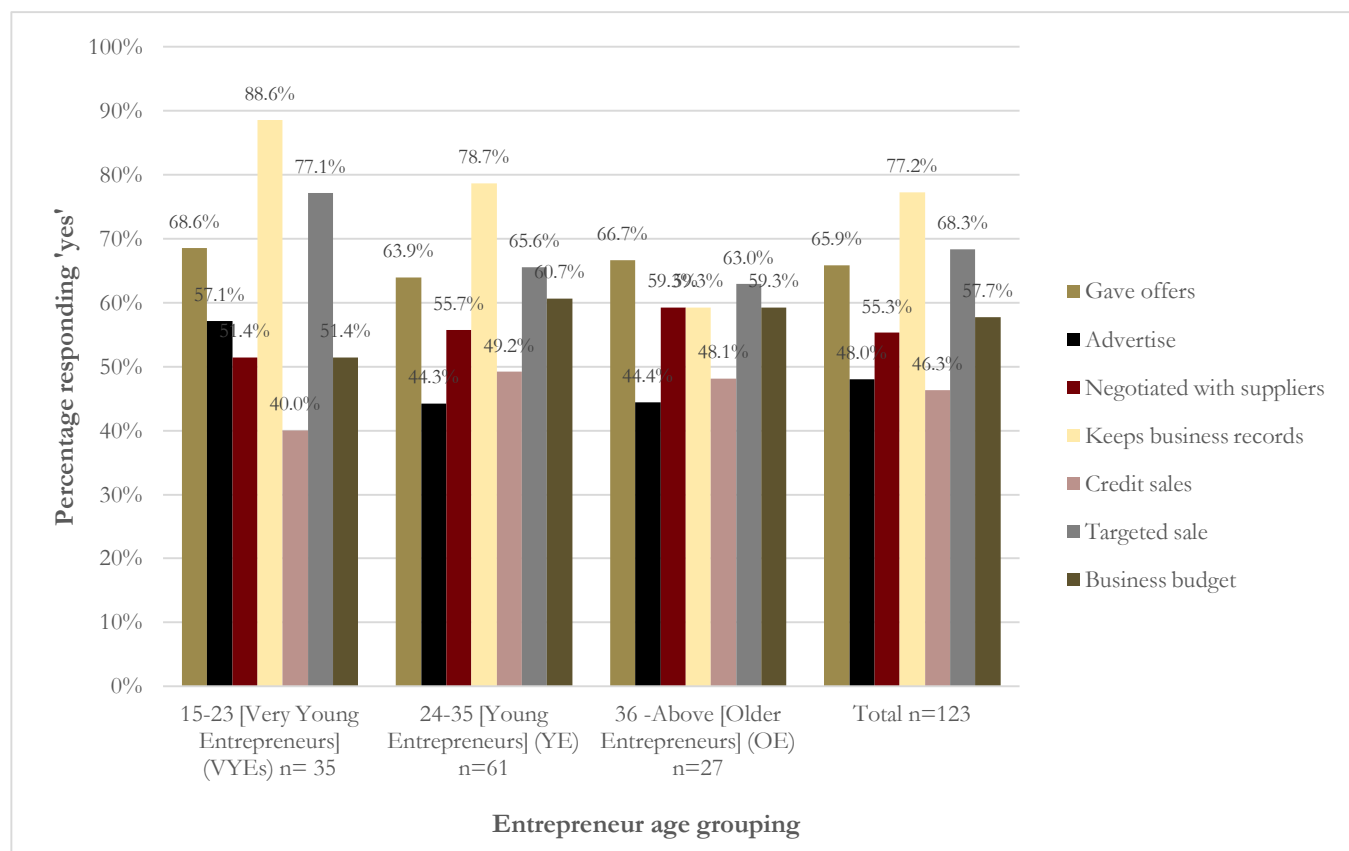
*You often hear that the government is interested in supporting entrepreneurs, but we do not see much efforts. This road was expanded two years ago but they never thought of creating space for us to do businesses. The designated space for businesses are not well designed and are located in areas where it is hard for people to access. There are no good structures and spaces where people can do their activities in a systematic way. You go to the market you find someone is selling banana here, next to that person there is chicken seller or cereal seller. It is confusing (Female – OE – vegetables/food seller).*

The need for physical spaces for doing business was a huge concern especially for VYEs. They also highlighted that physical assets are important for obtaining loans at the bank because they are used as collateral security.

An area that some entrepreneurs mentioned as needing support was strategies for improving business performance. Although across the age groups entrepreneurs showed some business knowledge, overall, a small percentage reported to have very poor business skills and knowledge. We asked entrepreneurs several questions relating to whether they kept business records, sold goods on credit, gave offers to customers, advertised their businesses, targeted sales and kept budgets. Figure 22 below shows a distribution of the 'yes' responses based on the age groups. Generally, across the age groups most entrepreneurs responded positively (in the affirmative) on the business knowledge questions. Another general trend is that there is a higher percentage of VYEs who reported that they gave offers, advertised and targeted business sales which shows

some in depth business knowledge. For example, 63.9% of VYEs agreed that they gave offers and 57% agreed that they advertised their business.

**Figure 22:** *Business skills (percentage respondents selecting 'yes')*



When it comes to business management and systematic knowledge, a higher percentage of VYEs tended to state that they kept formal business records on a regular basis. They also indicated that they knew how to manage the flow of capital, goods, sales. As seen in figure 22 above, 88.6% of VYEs agreed that they kept business records regularly versus 78.7% YEs and 59.3% OEs.

Yet when asked about the reasons for keeping and using records, only 23.6% of the respondents said that they kept the records to track employee related issues such as payments and working hours. As highlighted in the job creation strategies, this shows that a lot of transaction and employment agreements are done informally. This creates disagreements between entrepreneurs and employees. The need for more business skills and knowledge was among critical issues highlighted by VYEs as well as YEs. In summary, the entrepreneurs interviewed highlighted the following areas that need support:

1. Entrepreneurial finance
2. Government policies that supports entrepreneurship and job creation
3. Local and national government entrepreneurship programs
4. Entrepreneurship education at school stage and after school
5. Changing cultural and social norms on business
6. Media attention to promote positive image of YE and OE
7. Physical infrastructure that promotes business
8. Business knowledge, skills and commercial and professional services

# CONCLUSION

We set out to explore how VYEs, YEs and OEs create jobs in various sectors of the economy in Tanzania and Uganda. In the end, we managed to conduct the research only in Tanzania due to logistical and difficulties in securing ethical clearance in Uganda. This is the major limitation of our study. Nonetheless, omitting the Uganda component does not erode the validity of our study as our findings reveal interesting and important issues around VYE, YE and OE contribution to jobs creation in the Tanzanian context. In summarizing the key findings, four critical issues can be restated. These relate to how entrepreneurs define job creation, the extent of job creation, strategies used to create jobs and areas that need support. In closing, we summarize these findings below.

First, entrepreneurs in low-income economies contribute to job creation by necessity. The fact that most of the entrepreneurs in the sample stated that they started their businesses for household wellbeing indicates necessity rather than opportunity to do business.

Second, there is little difference between VYEs, YEs, and OEs with regards to the extent of job creation for themselves and for others. This was also true in our sample with regards to gender. On average VYEs, YEs and OEs employ on average 1.2 employees. Most of the employees come from within the village and region. The results also showed that most of the jobs created are for employees who are over 25, although all three age groupings of entrepreneurs did also report employing youth under 25 years.

Third, we discovered five strategies that VYEs, YEs, and OEs use in creating jobs. Using the entrepreneurs' own conceptualization, we categorized them as "Ajira" (normal self-employment or employee jobs), "Nyoka" (Apprenticeship), "Msaada" (household help), "kurithi" (inheritance) and "Vikundi" (Group venture). A key finding was that most agreements are recorded but they are at very informal level. The high costs of professional services such as lawyers, accounting and more means that disagreements are often rampant and at times abuse of employees is inevitable. As such, entrepreneurship becomes a zero-sum game where the toughest survive.

Fourth, the findings highlighted from the point of view of the entrepreneurs some tentative recommendations of what could be done to facilitate job creation. The need for financial support to generate capital to start and grow business, improvement in infrastructure for business, improvement in the macroeconomic conditions through policies such as tax breaks and low taxes and interest rates that favours small enterprises. This also includes offering of entrepreneurship programs that provide skills and knowledge as well as expertise of business innovation through research and engagement were highlighted as especially important areas that require support to facilitate entrepreneurs in creating jobs.

Finally, we caution that these findings be interpreted within the Tanzanian and developing country context. Furthermore, our study design was exploratory in nature and cannot be generalized beyond the insights and specific preconditions and approaches we used. Replication of this study in other contexts can further strengthen the implications and lessons drawn from the findings.

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