

YOUTH ENTREPRENEURSHIP IN SUB-SAHARAN AFRICA

HES Dialogues: Evidence Brief 4

Laura Gauer Bermudez

Youth, categorized globally by the United Nations as individuals between the ages of 15-24,¹ are the fastest growing demographic within sub-Saharan Africa and quickly becoming a political and economic force. Yet, while decades of rapid economic growth have shown promise for regional prosperity, the simultaneous population expansion that has generated this youth dominance has also burdened labor markets, limiting work opportunities for young people. As the region struggles to create the number of jobs necessary to absorb the millions of young workers entering the market each year, many youth face unemployment. In Africa, for those youth who do work, they are more likely to be underemployed and among the working poor.¹ Unemployment and underemployment of youth is considered a potential driver of conflict and insecurity. As such, there is an urgency felt by local governments and donors alike who are eager to invest in programs that would improve employment prospects for young people, including a push for youth to create their own employment opportunities through entrepreneurship initiatives.

Entrepreneurship Programming

Entrepreneurship programs for youth are designed to provide practical skills training to start and manage a business in a formal or informal market. Programs typically involve training in business skills such as finance, marketing, and management while some also offer training on soft skills ranging from leadership to assertiveness to self-esteem. Programs may also include mentorship or counseling while others offer tangible seed funding. Some initiatives are located within an apprenticeship framework while others are stand-alone models.

This brief reviews the evidence from three recent publications to highlight emerging scholarship on entrepreneurship among youth in sub-Saharan Africa. The themes derived from the literature include the importance of understanding the implementing environment, the possibility of gendered program outcomes, and a new context-based model for predicting entrepreneurship program effectiveness. Informed by this scholarship and complemented by recent guidance on youth entrepreneurship, the brief then offers considerations for program and policy development, ranging from contextual assessments to participatory design to an examination of institutional frameworks. Such intentionality given in the initial phases of program and policy development will serve to better situate an entrepreneurship

¹ Much of sub-Saharan Africa considers the youth demographic to encompass the ages of 15-35.

program within a local context thereby maximizing benefit and minimizing harm.

Recent Findings

CASE STUDY GHANA

In 2010, researchers in Accra, Ghana conducted qualitative interviews with young female entrepreneurs to investigate the divergent experiences between those in the hairdressing sector with those working as seamstresses. The inquiry sought to understand how broader contextual factors influence the success of the chosen sector of employment. First, the effects of globalization, specifically trade liberalization policies, were felt by each industry in different ways. The demand for hairdressers grew as new products were introduced to the market that required workers with specific skills. Conversely, the increasing availability of imported, ready-made garments in the textile industry decreased demand for custom-made clothing, negatively affecting the local textile industry and the business prospects for those trained as seamstresses.

A second theme in the study was the importance of national level trade associations and their influence on the collective success of an industry. In Ghana, the hairdressing sector had formalized its apprenticeship system, professionalized its trade association, collaborated with hairdressing unions abroad to exchange ideas, and worked with manufacturers to build routine skills in using new techniques and new products. Conversely, the trade association within the textile industry struggled to professionalize, was fragmented and unregulated, and failed to

provide the business and entrepreneurial skills that the hairdressing industry incorporated within its apprenticeship model. Lastly, the prestige of the industry among young people seemed to affect business prospects. Women working as seamstresses were seen as “school drop-outs,” affecting young women’s interest in entering the industry as well as the popularity of the products coming from the sector.

Despite these odds, some seamstresses were trying to make the most of imported products by re-fashioning second-hand clothing into fresher styles or using local fabrics to emulate the cuts of new importsⁱⁱ – an ingenuity that may be of great utility in the design and implementation of entrepreneurial programs that would seek to reinvigorate industries facing challenges within local markets.

This case study of young female entrepreneurs in Ghana underscores the importance of understanding the broader context in which entrepreneurship programs are implemented, how these macro-level factors may affect project success, and the need for innovation when creating programs within struggling sectors.

CASE STUDY SWAZILAND

Utilizing data from a survey of entrepreneurs carried out by the United Nations in Swaziland, researchers examined enterprise trends in the country compared across demographics such as age and gender. The sample included owners of 640 small and medium enterprises (SMEs), over half of which were youth ages 35 or younger, residing in the

urban areas of Hhoho and Manzini. In an analysis of the survey data, women were found to have less start-up capital and were less likely to obtain capital from formal sources of credit as compared to men. As greater amounts of start-up capital were statistically associated with higher sales performance, this finding illuminates a potential gender gap in access to credit for female entrepreneurs. Further, women were found to spend more hours per week than men working, though the same amount of time was spent on firm-related business, suggesting that women's traditional household responsibilities led to a less even work-life balance. Descriptive statistics also indicated that while women entrepreneurs were younger and had less education than men, they had received more business training. Analysis showed, however, that business training had a statistically significant impact on the financial performance of men's firms but not women's. The findings raised questions as to whether current business training models are effective at closing the performance gaps that exist between male and female entrepreneurs. Moreover, businesses with a larger number of employees were associated with better financial performance for women-owned firms but not for firms owned by menⁱⁱⁱ, potentially suggesting that women's businesses may only gain legitimacy and higher revenue once their number of employees reach a certain tipping point, unlike men's businesses whose financial success is unaffected by the amount of employment generated.

While not solely specific to youth, the findings of this study provide valuable insight into the gendered outcomes of entrepreneurial initiatives that should be

considered when designing programs for youth.

MODEL FOR ENTREPRENEURSHIP PROGRAM EFFECTIVENESS

The third study is of a different nature than the prior two studies. Instead of focusing on outcomes from a program applied in a specific context, the study analyzes prior case studies on entrepreneurship programs in East Africa to find cross-cutting lessons on effectiveness. Researchers from the University of Minnesota's "Learn, Earn, Save" project challenged the practice of "one size fits all" entrepreneurship programming, and developed a model for predicting the effectiveness of entrepreneurial initiatives. The model is based on the assessment of context – arguing that context is a powerful determinant of success. The authors suggest that existing approaches to youth entrepreneurship place unrealistic expectations on young men and women by failing to account for the nuanced, macro-level contextual factors that they consider to be critical to achieve desired outcomes, possibly more than any other element of program design.

Contextual factors fall into four categories – social context, regulatory environment, economic environment, and level of corruption. Concepts integrated within the model include the following^{iv}

- **Social Context:** Social relationships are critical to economic success in sub-Saharan Africa. Youth seeking self-employment often suffer from a lack of social capital, which may be setting

them up for failure within the regional business environment.

- **Regulatory Environment:** Regulations on labor and trade; licensing requirements; and costs of importing/exporting influence the success of an entrepreneurial venture.
- **Macro-economic Factors:** Rates of inflation, unemployment, or interest as well as seasonal economies or availability of micro-finance can influence the outcomes of entrepreneurship programs, positively or negatively. This concept also includes institutional frameworks that can hinder the ability of youth to pursue entrepreneurial initiatives – such as legislation that restricts formal banking based on age or gender.
- **Corruption:** Corruption can hinder youth from gaining access to necessary permits, start-up capital, or employment more broadly. Low-income youth are at a particular disadvantage as they lack the social capital required to navigate such systems.

The key lesson from this analysis is to appreciate the implications of contextual factors in program design. The importance of these four types of contextual factors cannot be overestimated when designing entrepreneurial initiatives. When programs neglect to address barriers directly, or creatively design around them, they may yield weak outcomes and potentially fail to provide any substantial long-term benefits for youth.

What is evident from the collective findings of all three studies on entrepreneurship initiatives is that the benefit of such programs may not be equitable between males and females, and that various aspects of the implementing environment can so significantly affect program outcomes that they must be taken into account during design, in order to harmonize programmatic elements with macro-level considerations.

Program Design Considerations

CONTEXT

A key theme in the studies reported in this brief, the context in which entrepreneurial programs are carried out, is critical to understand and predict beneficiary success or failure. Thus, a practitioner's assessment of the implementing environment should be multi-faceted, ideally examining relevant system interactions at micro-, meso-, and macro-levels. For instance, market analyses are commonly undertaken as part of the contextualization process of an entrepreneurial effort. However, these analyses are often limited to the documentation of job skills that are employable within the local market. Additional inquiries into contextual factors such as gender dynamics, the role of social capital in business dealings, the evolving effects of globalization on target industries, legislative hindrances to entrepreneurship, or the influence of corruption would help craft a program better suited to achieve sustainable and meaningful results.

PARTICIPATORY DESIGN

As evidenced by the Swaziland study, entrepreneurial outcomes can be gendered. Such findings highlight the need to incorporate the voices of both and male and females within the design of youth entrepreneurship programs to obtain feedback on the relevance and perceived effectiveness of interventions based on varied experience. For instance, how can entrepreneurial training programs be modified to be more effective for females? How might a program improve access to start-up capital from the formal market for young women? How do the household responsibilities of females influence the financial performance of new businesses, and would interventions that promote task-sharing among adult household members affect economic outcomes for women entrepreneurs?

And while this study emphasized the need to incorporate feedback based on gender, to the extent that persons with disabilities or other traditionally marginalized groups can be included within design, the greater impact the program will have on a broader range of beneficiaries. Continued commitment to user feedback throughout the implementation period along with routine collection and analysis of data disaggregated by sex, age, and other demographics of interest will allow practitioners to identify barriers to success for sub-groups of individuals and modify program strategies accordingly.

Policy Considerations

INSTITUTIONAL FRAMEWORKS

If national-level youth and youth employment policies are not aligned with or do not support entrepreneurial program aims, the sustainability of program efforts will suffer. Policies that limit the financial inclusion of youth, restrict access to capital, or otherwise place regulatory barriers on entrepreneurial initiatives will hinder program success as young business owners will encounter on-going barriers to enterprise development.

Further, discriminatory legislation that limits women's ability to accumulate assets, open a bank account, or access credit will also stifle equitable benefits of entrepreneurial programs. Institutional challenges within national-level education systems also exist with poor education quality or vocational curriculum that lacks relevance to market needs negatively affecting the readiness of youth in the region to embark upon entrepreneurial initiatives.

Situated within a country's entrepreneurial eco-system, such barriers create environments unsupportive of enterprise development among youth. Practitioners beginning new programs need to understand the contextual landscape in order to gain an understanding of how these challenges will affect program success and how the program might mitigate such challenges, potentially through a dual focus on beneficiary success and national-level advocacy for longer-term program impact.

Contextual barriers to the success of youth entrepreneurship programs also include

regulatory frameworks. For policymakers, it is essential to find the right balance between regulation that protects young workers from exploitation and abuse while removing unnecessary bureaucratic barriers that would create disincentives for youth enterprise development and innovation. By facilitating well-organized multi-stakeholder efforts to promote youth employment and entrepreneurship, governments can produce better crafted laws and policies that will reflect a balanced perspective on protection and opportunity.

Further, as seen in the Ghana case study, international learning exchanges can be very beneficial to industry growth. To the extent that states can promote such exchanges, entrepreneurial efforts will benefit. National level commitments to formalized apprenticeship programs as well as support to the professionalization and organization of trade associations will also help create an entrepreneurial culture, modifying the contextual environment in which practitioners operate.

Conclusion

The collective research emerging on the topic of youth entrepreneurship in low-resource settings infer that a comprehensive understanding of context and an intentional inclusion of traditionally marginalized voices in program design may increase the likelihood that program objectives are met in a manner that is equitable across beneficiary groups and sustainable within the implementing environment. While only one component of a country's development and employment plans, youth entrepreneurship initiatives have the potential to spur job creation and

reduce poverty, when appropriately designed and supported within a broader institutional eco-system that promotes enterprise.

ABOUT THE AUTHOR

Laura Gauer Bermudez (MSW, MIPP) is a doctoral candidate at Columbia University's School of Social Work where she studies the impacts of economic asset development on health and well-being outcomes for adolescents in low- and middle-income countries, with a focus on adolescent girls. She has nearly 15 years of experience working in over 20 countries, carrying out field research and liaising with local teams to implement a variety of multi-sectoral programs, the majority of which aimed to comprehensively improve outcomes for children and adolescents.

About the HES Research Dialogues

In 2014, FHI 360's ASPIRES Project and the SEEP Network recognized that, while HES was a growing area of practice and research, gaps in HES research and evidence remained. To respond to this evidence gap, SEEP facilitated an HES Research Dialogues initiative, bringing together HES researchers and practitioners to define a collaborative learning agenda. Through a series of collaborative activities, the initiative aimed to identify key research questions within HES, as well as draw on existing experience related to appropriate research methods and tools.

This document is complemented by a series of research methods and evidence briefs developed out of the HES Research Dialogues initiative. Access them on FHI 360's ASPIRES Project web page on Microlinks at: <http://bit.ly/1rwRue3>

References

- ⁱ International Labor Organization. (2012). Africa's Response to the Youth Employment Crisis: Regional Report.
- ⁱⁱ Langevang, T., & Gough, K. V. (2012). Diverging pathways: young female employment and entrepreneurship in sub-Saharan Africa. *The Geographical Journal*, 178(3), 242-252.
- ⁱⁱⁱ Brixiova, Z., & Kangoye, T. (2016). Gender and constraints to entrepreneurship in Africa: New evidence from Swaziland. *Journal of Business Venturing Insights*, 5, 1-8.
- ^{iv} Wiger, N. P., Chapman, D. W., Baxter, A., & DeJaeghere, J. (2015). Context matters: A model of the factors associated with the effectiveness of youth entrepreneurship training. *PROSPECTS*, 45(4), 533-547.