

SHUJAAZ INC.

BAROMETER

Tracking the impact
of COVID-19



COMPASS

Navigating the road
ahead

LETTER FROM OUR CEO.

**'We know that
young people hold
the solutions to
navigating the road
ahead'**

Dear Friends and Colleagues,

We shared the last edition of our first COVID-19 Barometer series with you at the start of June. In many ways, a lot has changed in the intervening weeks: Kenya's lockdown has been lifted and curfew measures eased – and communities across the country have begun to return to a sort of normal.

But as you'll go on to read: for young people in our network, the easing of lockdown measures has stopped the bleeding, but it hasn't healed their wounds. While we're beginning to see income levels creep back up, rates of hunger are still far too high. In a recent SMS survey, 70% of young people told us they'd gone to bed hungry in the last week.

Something else has happened in the last two months; we've all begun to look ahead and start planning for the challenging path in front of us.

At Shujaaz Inc, one of our founding values is something we call 'Player First'; it means we put young people in our network first in every decision we make. More than that, it means we know that young people hold the solutions to overcoming the barriers they face.

There's never been a more important time to put this pivotal generation first; and to listen to their experiences, ideas and solutions. That's why this month, we're launching the first in our 'Compass' series.

Based on new live data, in-depth conversations with our network, and insights and trends from four years of national Shujaaz Inc surveys, our Compass briefs are designed to help us all navigate the road ahead. By putting the priorities and ideas of young people across Kenya firmly as our 'north star'.

In this first issue, we're inviting you to spend some time with Kenya's young micro-entrepreneurs; to hear about the incredible social and economic value they're already creating – and how we can work with them to re-start Kenya's economy.

I hope that our Barometer and Compass series act as valuable tools for you and your team in the coming months, as we all balance the pressing needs of the here-and-now and the need to chart a new course forward.

ROB BURNET



BAROMETER

Tracking the impact
of COVID-19



INCOME & HUNGER.

SMS AND SOCIAL MESSAGES

"Just getting food has been a challenge for me."

MALE, 19, MIGORI

"I used to be a cleaner at a hotel and I lost my job. I don't have any other source of income, it's really hard."

MALE, NAIROBI

"Though life has been hard I have learnt how to do my business during this time."

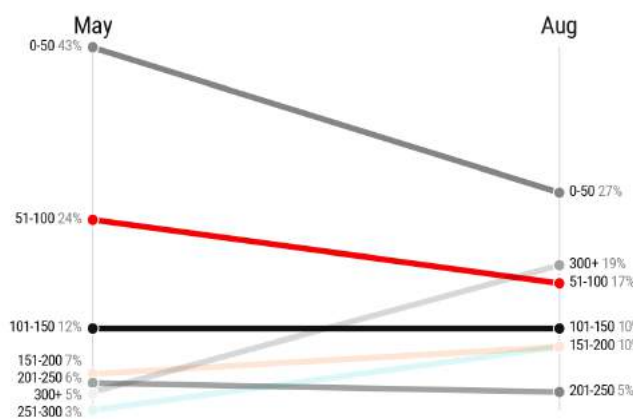
FEMALE, LAMU

"I have been surviving this pandemic by doing my boda boda hustle."

MALE, 26, KILIFI

INCOMES BEGIN TO REVIVE BUT RATES OF HUNGER REMAIN HIGH

Throughout April and May, as both the formal and informal sector ground to a halt, we tracked a sharp decline in the financial security of young people across Kenya. However, the removal of lockdown measures in Kenya and the easing of the nationwide curfew (from 7pm to 9pm) in July has created room for the informal sector to begin its slow recovery. As a result, an SMS survey of 15-24 year-olds in our network (N=749) at the end of August showed that income levels are tentatively beginning to rise. At the end of May 79% of young people reported having to live on less than KES 150 (USD 1.40) a week, at the end of August that number had dropped to 56%.



Similarly, the number of young people earning over KES 300 (USD 2.80) a week increased from 8% at the end of May to 19%. However, the number of young people in our network reporting having gone to bed hungry in the last week has

held steady at 70% (from 74% in May). The slow revival of the informal sector is allowing young people to return to their hustles – it has stopped the bleeding, but the impacts and wounds of the pandemic will require time and investment to heal.

AWARENESS & ADOPTION.

SMS AND SOCIAL MESSAGES

"DJ B, I try create awareness in my community but it is really hard to convince people that corona is here since there hasn't been any case around here and no one they know has died."

MALE, UNKNOWN

"The government should educate people as some still believe that corona is a scam. This is what's making people live carelessly."

MALE, FACEBOOK

"Where I stay, Matatus are full of passengers in the evening. Conductors tell customers that Corona is over."

UNKNOWN, FACEBOOK

"I TRY TO CREATE AWARENESS IN MY COMMUNITY, BUT IT'S REALLY HARD TO CONVINCE PEOPLE CORONA IS HERE."

While lockdown and curfew measures have eased, and numbers of cases remain relatively low, recommendations warning against non-essential travel and encouraging social distancing remain firmly in place across Kenya. Young people in our network continue to demonstrate strong awareness of the risks of the coronavirus pandemic, but an SMS survey at the end of August (N=962) highlighted that staying home and observing social distancing have become increasingly challenging; overtaking challenges with masks in April.

49%

SAY STAYING HOME IS THE MOST DIFFICULT MEASURE TO ADOPT

17%

REPORT SOCIAL DISTANCING AS MOST CHALLENGING

Perhaps more worryingly however, young people in our network are reporting that distrust in official information about COVID-19 in their communities is growing. While cases remain low, or non-existent, in many communities, people are questioning whether the coronavirus is a 'scam'. We are also tracking an uptick in references to fake news and conspiracy theories, with reoccurring questions surrounding the origin of the virus, its treatment and the vaccine.

GOVERNANCE.

SMS AND SOCIAL MESSAGES

"Our country has no corona, the government just wants to get money that will help during the 2022 campaigns."

UNKNOWN, SMS

"The government should do us justice and send 1k through mpesa to its people."

MALE, FACEBOOK

"The president is right but the people around him mislead him all the time. Bar and restaurant owners depend on them for a living. Closing them means they will have nothing to eat. Kenya is a country for the rich. The poor have no say or right."

MALE, FACEBOOK

"They should lift the curfew as we have no jobs."

FEMALE, FACEBOOK

83% OF YOUNG PEOPLE DON'T FEEL HEARD IN RESPONSE TO COVID-19

In the last few months, the Kenyan government has eased lockdown measures and launched programmes like 'Kazi Mtaani' designed to create jobs for people living in informal settings. However, despite these new measures, disgruntlement with the response to Covid-19 remains high. In an SMS survey (N=945) 83% of young people in our network said they felt their voices, struggles and hopes were 'not at all' or 'poorly' or 'barely' reflected in government response to the pandemic. While the number saying their interests were 'well' or 'very well' reflected held at 17% (from 19% in April).

83%

SAY YOUNG PEOPLE'S INTERESTS
AREN'T BEING SUFFICIENTLY
REFLECTED

17%

SAY THEIR VOICES, HOPES AND
STRUGGLES ARE REFLECTED
'WELL' OR 'VERY WELL'

Despite these results, conversations in our network do suggest a relatively high level of understanding and empathy for the President, but concern about broader corruption within the government appears high. Fundamentally, while hunger levels remain high, schools remain closed and employment nearly impossible to find, young people continue to feel that the government should be doing more to support them.

MOOD & RESILIENCE.

SMS AND SOCIAL MESSAGES

"Stress triggered by several factors [like being], unable to cater for families, especially if you're the breadwinner. Due to stress some endangering their life, wanting to indulge in crime."

MALE, 21, ISIOLO

"When am disturbed by my things I don't even like my mum to know because I will end up stressing her too."

FEMALE, 18, MOMBASA

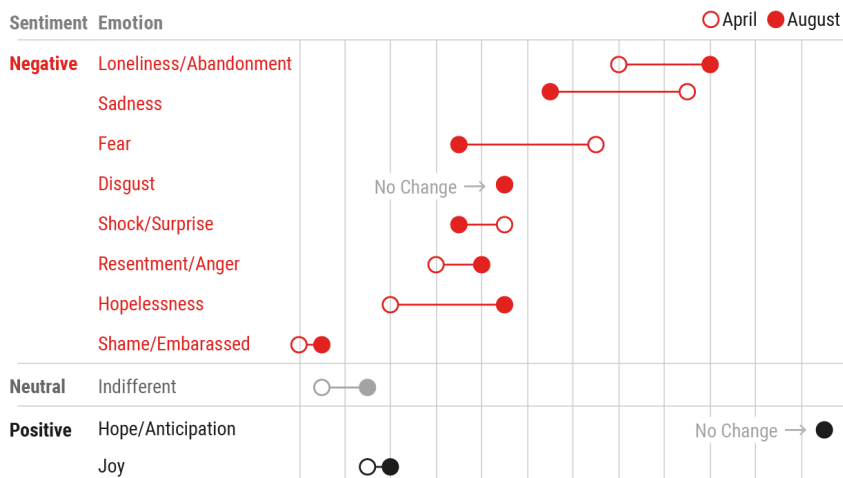
"I was always depressed, stressed. Imagine, when I go back to the house and I don't have money? I don't have food, the children are looking at me. When I come, the children are like, mum what have you brought us?"

FEMALE, 20, NAIROBI

'IT'S TOO MUCH FOR SOMEONE TO TRY AND DEAL WITH THESE THOUGHTS' – COVID-19 HAS LASTING IMPACT ON WELLBEING

Despite the early signs of recovery, young people's overall mood hasn't rebounded. In May, 76% reported feeling an overall negative emotion since the start of coronavirus measures. At the end of August the proportion remains high at 70%.

HOW DO YOU FEEL MOST OF THE TIME?



Notably, 'fear' and 'shock' have decreased, along with an overall reduction in concern around the risk of Covid-19. While, as the economic impacts persist, long-term emotions like 'loneliness' and 'anger' increase. In WhatsApp group discussions, young people have shared their concerns about increases in self-harm and drug abuse, and a feeling of abandonment by parents and government.



COMPASS

Navigating the road ahead

**MEET THE HEROES:
INTRODUCING KENYA'S
3M YOUNG
MICRO-ENTREPRENEURS**

“

MY MENTOR TELLS ME
THAT IN THIS WORLD, IF
YOU ARE EDUCATED AND
YOU SIT WAITING TO BE
EMPLOYED, YOU WILL GET
OLD AND STILL NOT BE
EMPLOYED. SHE USUALLY
ADVISES ME, “YOU
WORK HARD, LOOK FOR
SOMETHING YOU CAN DO,
KEEP YOURSELF BUSY.”

FEMALE, 25, KAKAMEGA



EXECUTIVE SUMMARY

Across Kenya today, there are an estimated 3 million young people running their own businesses. That's 31% of 15-24 year-olds who are working, often 40 hours a week, selling mandazi to commuters in Nairobi, growing tomatoes in Embu, braiding hair and selling second-hand clothes in Kilifi, or running one of the thousands of mama mboga vegetable stalls that keep communities in Kenya fed. This often-overlooked group of young 'shujaaz' (heroes) are adding an estimated \$290m into the economy each month (about 4% of Kenya's GDP).

COVID-19 and the associated lockdown measures have hit everyone hard, but many of these young entrepreneurs are showing remarkable resilience: by adapting their businesses or by simply picking back up and preparing to start again. They've proven, once again, their vast potential – and the pivotal role they can play in Kenya's response to this global crisis.

In this first edition of the Shujaaz Inc Compass, we'll explore the huge social and economic value these young micro-entrepreneurs can create. We'll highlight how, if we can move just a few of the barriers that are holding them back, they'll inject millions of dollars (billions of Kenyan Shillings) into Kenya's recovering economy, while creating income generating opportunities for young people in communities across the country – with ripple effects that might just surprise you.

But first, we'll let them introduce themselves to you.





PART ONE

MAPPING THE LANDSCAPE

INFORMAL – IT'S THE NEW NORMAL

Let's start with a reminder of the big picture. Nearly a million young people enter Kenya's labour market every year; sometimes straight from school, sometimes with a hard-won college degree in hand. Most young Kenyans dream of securing a formal job; hopefully behind a desk, or at least with regular pay and a full-time contract. In many ways the policies, investment and international development effort has been geared towards helping them to achieve that dream too. But right now, the reality is that less than 10% (we'd estimate closer to 3%) of young people will ever have the opportunity to realise their dream of formal employment. For most young Kenyans, self-employment in the informal sector is their only option for securing income, and a livelihood.

As the 2030 deadline for the Sustainable Development Goal of 'universal employment' approaches and the economic impacts of COVID-19 come into focus, the question 'is informal the new normal?' has taken on a new urgency and (we think) certainty. So, before we kick-off; here's a re-cap of some of the big numbers that explain why the informal sector is increasingly front and centre of the conversation about Kenya's response to this crisis.¹

>900,000

YOUNG PEOPLE ENTER THE
JOB MARKET NEXT YEAR



<10%

WILL FIND WORK
IN THE FORMAL
SECTOR

As Kenya's youth population continues to grow, the World Bank estimates that between 2015 and 2025, 9 million people will have entered the labour market, in search of employment. To keep up with the pace of demand, Kenya needs to create 900,000 jobs every year.² Last year, the Kenya National Bureau of Statistics reported that the Kenyan economy added a total of 846,000 jobs – only 9.2% of which (78,000) were in the formal sector. That's only 8.4% of the total demand.³ Even before the COVID-19 crisis, Kenya's formal sector was far from meeting the demand for employment.

KENYA'S INFORMAL SECTOR REMAINS UNDER SUPPORTED

Historically, the international development effort and national policy design has been geared towards supporting the formal sector – and the long-term project to formalise growing economies across Africa. In Kenya, that trend looks set to continue, with reports suggesting that, of the \$503 million government stimulus announced in response to COVID-19, only \$3 million will directly go to the informal sector.⁴

“YOU SHOULD KNOW THERE ARE
NO JOBS – AND IF THERE ARE
THE MONEY IS TOO LITTLE.

MALE, 19, MOMBASA

¹ Foreign Policy, 'Kenya's Labour Market Wasn't Made for a Pandemic', 10 April 2020 ; Brookings Institute; [COVID-19 and the future of work in Africa](#), 26 May 2020 | ² World Bank, [Kenya Social Protection and Jobs Programs Public Expenditure Review](#), 27 June 2019 | ³ Kenya National Bureau of Statistics, 2019 Kenya Population and Housing Census Volume 4: Distribution of Population by Socioeconomic Characteristics, December 2019 | ⁴ Business Daily, Set sights on informal sector recovery, 16 July 2020 | ⁵ Standard Media, [Over 1.7m Kenyans lose jobs as corona chokes ailing economy](#), 2 September 2020



90%

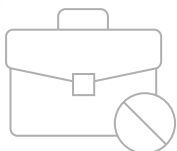
OF NEW JOBS ARE CREATED
IN THE INFORMAL SECTOR

The informal sector is already the primary job creator in Kenya, as last year's statistics highlighted: the informal sector created an estimated 767,900 jobs in 2019; or 90.7% of new jobs.⁶ The World Bank estimates that in reality only 6% of total employment is in the (non-agriculture) formal sector – that's the desk jobs, the construction and manufacturing jobs, or the full-time contracts young people in Kenya dream of securing.⁷

I LOST MY JOB EARLY THIS YEAR AS A CHEF IN A HOTEL – IT WAS THE DARKEST MOMENT IN MY LIFE. I GOT AMAZING ADVICE FROM SHUJAAZ FOLLOWERS ON HOW I COULD START MY OWN BAKERY. NOW I SUPPLY LOCAL SHOPS AROUND MOMBASA.

FEMALE, DIANI

4.6M



KENYANS HAVE LOST THEIR
JOBS DUE TO COVID-19

According to the Kenyan Bureau of Statistics, 4.6m people in Kenya lost their jobs between April and June.⁵ Early reports highlighted that under 29-year-olds have been worst affected by job losses, with those aged 20-29 registering over 20% unemployment. We are of course only just beginning to see the long-term impacts of the Coronavirus pandemic (as well as the locust outbreak) on Kenya's formal economy and this generation's future prospects.

THE INFORMAL SECTOR IS THE ENGINE OF KENYA'S ECONOMY – EXPERTS THINK IT CAN HELP DRIVE COVID-19 RECOVERY

The national data available about the informal sector isn't perfect, but frequently cited reports suggest that Kenya's informal sector accounts for approximately 35% of Kenya's GDP and employs at least 84% of the labour force.⁸ However, it's likely that these estimates significantly downplay the number of people who rely on the informal sector for income, if not full-time 'employment'. Further, as the formal sector ground to a halt during the COVID-19 lockdown measures, the crucial role that the informal sector plays in sustaining industries from food to clothing and transport was made abundantly clear. That's one of many reasons why experts, including our partners at FSD Kenya, Kenyan economist David Ndi and researchers like Niti Bhan have called for ambitious interventionist approaches that centre the informal sector, and informal sector entrepreneurs, in Kenya's response to the economic crisis.⁹

⁶ Kenya National Bureau of Statistics, 2019 Kenya Population and Housing Census Volume 4: Distribution of Population by Socioeconomic Characteristics, December 2019 |

⁷ The Star, [Kenya's unemployment rate to rise – World Bank, 30 September 2019](#), Adam Smith International, ['Covid-19 in Kenya: Recovering from the Economic Crisis'](#), 9 April 2020; Foreign Policy, ['Kenya's Labour Market Wasn't Made for a Pandemic'](#), 10 April 2020; | ⁸ Danish Trade Union Development Agency, [Labour Market Profile 2020: Kenya](#), 2020 |

⁹ The New Humanitarian, [A Kenyan COVID-19 notebook: The 'mama mbogas' and the path to recovery](#), 6 August 2020



PART TWO

NAVIGATING THE ROAD AHEAD

MEET KENYA'S 3M YOUNG MICRO-ENTREPRENEURS

Overview

In the meantime, young people across Kenya have found their own solutions to the formal employment deficit. Today, more than 3 million young people are running their own informal micro-businesses; fixing cars and upcycling clothes; growing, making and selling food for their communities; building furniture or keeping Kenyans moving on boda boda bikes. These shujaaz heroes are taking control; frequently working more than 40 hours a week to secure their income, and support their families, while quietly adding hundreds of millions to the Kenyan economy and creating much-needed income-generating opportunities for their communities. These 3m young entrepreneurs far too often go overlooked; we think it's time to nurture their agency, energy and creativity – and give them the recognition and support they deserve. It's long overdue.

31%

OF YOUNG KENYANS ARE INFORMAL
SECTOR ENTREPRENEURS

In our 2019 nationally representative survey, only 4.5% of young people aged 15-24 reported that they were employed by somebody else, in the formal or the informal sector. But 31% (3,017,395 young people) reported that they earn their income from the informal sector; either as a full-time 'self-employed' entrepreneur, or by running multiple 'hustles' and 'side-jobs', or by doing less frequent 'odd' informal jobs for their community.¹⁰ That's 3 million young people engaged in their own micro enterprises across Kenya.

“

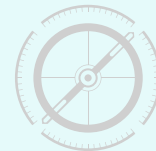
I HAVE SURVIVED FOR 10 YEARS
WITHOUT BEING EMPLOYED.
I HAVE GIVEN MY HUSTLE MY
ALL – WHATEVER YOU DO PUT IN
YOUR ALL.

MALE, FACEBOOK

MICRO-ENTREPRENEURS EARN DOUBLE
THE AVERAGE INCOME – AND IN 2019

**ADDED \$290M A MONTH
TO THE KENYAN ECONOMY**

Kenya's young micro-entrepreneurs earn double the normal income for their age group. In 2019, they earned an average of KES 8,373 (USD \$82) a month, compared to the KES 4,367 average for 15-24-year-olds in Kenya. In total, these 3 million young people earn \$290m a month, the great majority of which gets re-invested directly into their local economies through their day to day spending.¹¹ Of course, not all micro-entrepreneurs are thriving, and as we'll address, COVID-19 has added massive new challenges, but in 2019, 73% reported that their hustle allowed them to be financially independent now or will allow them to be financially independent in the near future.




29%

OF MICRO-ENTREPRENEURS CREATE INCOME-GENERATING OPPORTUNITIES FOR OTHER YOUNG PEOPLE, OFFERING LONG- AND SHORT-TERM PAID ASSIGNMENTS TO 1+ PEOPLE IN THEIR NEIGHBOURHOODS¹²

In addition to earning and spending money in the Kenyan economy, these young entrepreneurs are also creating income-generating opportunities for other young people in their communities. According to our 2019 national survey, 20% of micro-entrepreneurs, those who earn just over KES 9500, worked with one additional person, while 9% reported having 2 or more people working with them on their hustle. If you ask a young business owner in Kenya what success looks like to them, they say 'hiring an apprentice', 'becoming a mentor' or 'employing someone in my community'. Micro-entrepreneurs are committed to uplifting their communities.

YOUNG ENTREPRENEURS CREATE SOCIAL VALUE AT SCALE

Successful micro-entrepreneurs don't just add economic value to their local economies; but they create social value too. In our 2019 national survey we tracked that micro-entrepreneurs were: 15% more likely to have used modern contraception the last time they had sex, 79% more likely to use financial services and 8%* more likely to vote than young people who don't run a microbusiness or hustle.¹³ In an SMS survey in June (N=417) 55% of young people said the first thing they'd do if they're successful in their hustle is start uplifting other people in their community. Kenya's 3m young micro-entrepreneurs create social value at scale.

YOUNG MICRO- ENTREPRENEURS HAVE BEEN MORE RESILIENT TO THE SHOCKS OF COVID-19

Like business-owners around the world, Kenya's young micro-entrepreneurs haven't been immune to the impacts of COVID-19. At the height of lockdown and curfew measures in April, 92% of informal sector entrepreneurs in the Shujaaz network said their hustle had been seriously affected; that they'd either had to scale-down or temporarily shut their business. However, only 4 months later, as lockdown measures eased, that number reduced to 77%. Conversations and interviews with young people in our network have reinforced the same trend. Young micro-entrepreneurs have adapted quickly to their new context; by finding ways to tweak their business model or by spotting opportunities to set up new hustles. Whereas, in the same interviews, young people who'd previously been employed in the formal or public sector were still looking for a job and struggling to secure income, even 4 months later. As we'll go on to see, we know that running a micro-business can nurture a sense of agency – which in turn helps build resilience to financial and social shocks.

MORE YOUNG PEOPLE HAVE STARTED HUSTLING DURING COVID-19

Since the start of the COVID-19 crisis, we began to track a gradual increase in the number of young people setting up new informal sector 'hustle' micro-businesses for the first time. In an SMS survey of our network in April, 5% of young people said they'd set up a hustle for the first time during the COVID-19 crisis. By May, that number increased to 16% – and in August, an additional 10% said they'd set up a new business since the start of the pandemic. For many young people, whose parents have lost their jobs, and schools have shut, the informal sector has been their 'lifeline' out of crisis – their only means of securing income. In an SMS survey of our network in August, 71% of young people said their primary source of income was running a micro-business, or 'working' in the informal sector.

“SINCE COVID I HAVE BEEN DOING SOME VEGETABLE FARMING (KALES, CABBAGE, AND ONIONS) AND I HAVE SOLD QUITE A LOT WHICH IS HELPING ME SURVIVE THESE HARD TIMES.

FEMALE, 20, KAKAMEGA

**SHUJAAZ
INC.**



PART THREE

THE PATH FORWARDS

HOW IT ALL ADDS UP

Small interventions to support **2 million** young micro-entrepreneurs to take their hustle full-time could add **USD \$110m a month** to the economy and create work opportunities for **<1 million**.

The COVID-19 pandemic has underlined the critical role that the informal sector plays as the primary source of income for most young Kenyans, as well as the foundational role it plays in sustaining vital industries from food to transport. It's one of many reasons economists and international development experts, from the ILO to our partners at FSD Kenya, are calling for urgent, targeted support for informal sector micro entrepreneurs – both as a cautionary, protective measure, as well as an effective mechanism to drive Kenya's economic recovery.¹³ And we think they're on the right track. We know that targeted, low-cost interventions designed to support young micro-entrepreneurs to grow and strengthen their hustles, could inject hundreds of millions of dollars into Kenya's recovering economy, and help to create job opportunities for young people across the country – and with far reaching ripple effects that might just surprise you. Here's our thought experiment, based on four years of our nationally representative data and a decade of working with young *shujaaz*.

According to our 2019 nationally representative survey, our 3 million (3,017,395 to be exact) micro entrepreneurs roughly sit within three groups:

THE FULL-TIME ENTREPRENEURS

32% of Kenya's young micro entrepreneurs (965,566 young people aged 15-24)

Earn **KES 9500+ per month** (just under the Kenyan Government minimum wage KES 10107)

Usually **hire one or more people to work with them**

Work **40+ hours per week, on one business**

Likely to refer to themselves as '**self-employed**'; running their business is a key part of their identity and they're prepared to invest time and money to learn new skills to help it grow.

THE START-UP HUSTLAS

35% of Kenya's micro entrepreneurs (1,056,088 people)

Earn between **KES 3601- 9499 a month**

Usually **work alone**

Likely to **run one or more 'hustles' that they split their time between**

Not established enough to refer to themselves as 'self-employed', some describe themselves as '**hustlas**'. This group aspire to be full-time micro-entrepreneurs, but they're lacking the finance or skills to focus on growing one business to cover their daily needs.

THE EARLY-STAGE ENTREPRENEURS

33% of Kenya's micro entrepreneurs (995,740 people)

Earn up to **KES 3601 a month**

Usually **work alone**

Early-stage entrepreneurs are often in '**survival mode**' – they do multiple '**odd jobs**' in the informal sector, to cover their daily needs. Often under financial stress, they don't have the ability to focus their time on one project – instead doing the jobs that are immediately available. In need of finance, networks and skills support they often struggle to break out of the cycle and focus on sustaining a hustle.

If we supported those 2 million young people, who are already budding 'Start-Up Hustlas' and 'Early-Stage Entrepreneurs', with small interventions to strengthen their hustles and become 'Full-Time Entrepreneurs', we could inject an additional \$110m a month into Kenya's economy – and create income-generating opportunities for one million people.



REMOVING SMALL BARRIERS CAN UNLOCK BIG IMPACT – WITH FAR-REACHING RIPPLE EFFECTS

Our four years of research show that those 2 million young ‘Start-Up’ hustlas and ‘Early-Stage’ budding entrepreneurs are only a few small steps, or a few small barriers, away from becoming ‘Full-Time’ micro-entrepreneurs. As we’ll detail in section three, small interventions ranging from peer-to-peer skills training, to getting to know a role-model hustler, to a micro loan or a cash transfer can provide budding ‘Early-Stage’ or ‘Start-Up’ hustlas with the boost they need to overcome those barriers; focus on one business and increase their income as a ‘Full-Time’ entrepreneur.

Our data shows that when young people start earning over that KES 9500 per month threshold, they begin to hire other people to do work alongside them; 29% of young people earning over that threshold in 2019 hired between 1-3 people to help run their hustles. So, if we helped 2 million young people to reach that income level, only half of those people would need to hire one person, to create income-generating opportunities for over a million young people. It’s worth highlighting that the average income for all micro-entrepreneurs in 2019 was KES 8,373 (USD \$82), only KES 1127 (\$10) under the threshold for what we define as a ‘Full-Time entrepreneur’. So, even supporting young entrepreneurs to make \$2.60 extra a week, could provide them with the boost they need to create work for someone in their community.

Supporting informal sector entrepreneurs has far-reaching ripple effects. As we detail in the next section, breaking down the barriers to full-time entrepreneurship allows young people to take control of all aspects of their future. At Shujaaz Inc, we’ve proven that supporting young micro-entrepreneurs can have a big impact on increasing use of contraceptives, of financial services – and increase participation in governance.

Finally, with many hustles focusing on selling second-hand clothing, repairing vehicles and equipment, and upcycling core materials – they play a crucial part in driving Kenya’s circular, resilient and sustainable economy too. Investing in young micro-entrepreneurs might just be a part of securing Kenya’s long-term resilience to crises extending beyond COVID-19, to the threats of climate change. As President Kenyatta said last year, this generation can “expand Africa’s productive workforce, promote entrepreneurship and become genuine instruments of change to reverse the devastation caused by climate change.”¹⁴

“MY SUCCESS WILL NOT BE MEASURED ON HOW MUCH WEALTH I HAVE BUT WILL BE MEASURED ON HOW MANY PEOPLE I WILL HAVE LIFTED

MALE, 25, HOMABAY



PART FOUR

GETTING TO KNOW KENYA'S MICRO-ENTREPRENEURS

QUICK STATS: FACT FILE¹⁵

How many young people are micro-entrepreneurs: 31% of young people – 3,017,395 people run a type of informal sector micro-business in 2019. In August 2020 71% said they were earning their income from the informal sector, or through running a hustle.

Age Range: 26% of micro-entrepreneurs are between the ages of 15-19, 74% are aged 20-24

Gender: A slight male skew; overall, there are more males among micro-entrepreneurs than females (63% vs. 37% respectively). But the proportion of males and females who become 'Full Time' self-employed entrepreneurs, is almost evenly balanced (47% of males vs. 53% of females).

Geography: Young people run micro-businesses everywhere in Kenya – the density of young micro-entrepreneurs tracks against the density of young people. In total, about 65% of micro-entrepreneurs live in rural areas, partly due to overall demographic spread – but partly because there are slightly more opportunities for formal 'employment' in urban areas. Similarly, people in rural areas begin their businesses earlier than their urban counterparts, because they're less likely to be in school and are expected to contribute to their family income.

Sectors: Young people set up micro-businesses in a huge range of sectors, with a particular focus on food/agriculture, second-hand clothing and transport.

Average 2019 Income: KES 8373 per month vs. KES 4367 av. youth

Education Level: Micro-entrepreneurs are more likely to have completed secondary education or vocational training than non-entrepreneurs; 32% vs. 22%.

Access to Smart Phone: 53% of male micro-entrepreneurs have a smart phone vs. 46% of female micro-entrepreneurs. 36% of micro-entrepreneurs use M-Pesa (mobile money) vs. 22% among non-entrepreneurs



FAN STORY

I started doing this out of passion which I developed after several visits to barbershops where my friends worked at. I got inspired and I decided to do the same thing.

So I decided to open my own barber shop and I opened it right next to my former employer's barbershop. I have worked for myself for four years now.

FEMALE, NAIROBI

I HAD SO MANY BUSINESS IDEAS IN MIND, SO I THOUGHT TO MYSELF, WHY NOT START MY OWN THING? MY MUM ENCOURAGED ME.

FEMALE, UNKNOWN

IN MY HOOD, NYERI, IT'S COLD. I'M SELLING COFFEE, SNACKS AND FAST FOODS LIKE SAMOSAS AND MANDAZI.

UNKNOWN, NYERI



GETTING TO KNOW KENYA'S MICRO-ENTREPRENEURS

THE ENTREPRENEURIAL MINDSET: TAKING CONTROL AND CREATING BIG IMPACT¹⁶

Over the last four years, we've seen that when young people in our network start to see themselves as self-employed and set up their own business, something begins to shift: their sense of agency. Young people who decide to set up a hustle are making a decision to take control over their income – for many, it represents the first step in taking control of the direction of their life and their future.

When that happens, like entrepreneurs around the world, young people then start to factor in how the decisions they make will impact the future of their business. Young people begin to see how deciding whether or how to vote, when to have children, or when to get married will impact their future. That's one reason why we know that this group of young people are 42% more likely to make decisions for themselves.

When young people have agency and are able to start taking control over their future, they create big impact. According to our 2019 nationally representative survey, young micro-entrepreneurs are:

79%

more likely to use financial services

15%

more likely to have used modern contraception last time they had sex

29%

more likely to save for a rainy day or to set aside money to build a financial cushion or 'safety net' against financial shocks

6%

more likely to have assets, savings and insurance

8%*

more likely to vote

FAN STORY

When you look around, you'll see many people who are keen about looking good, so there's always someone who needs a barber. I started cutting hair when I was in high school. After completing high school, a friend and I opened a barbershop.

For me to pay rent and pay the person I have employed, I always make sure I save. I know I need to prepare for the future and because I have savings, I am assured of a future.

MALE, TRANS NZOIA

We know that micro-entrepreneurship also nurtures a sense of 'resilience' and an ability to adapt to external 'shocks'. As above, micro-entrepreneurs are more likely to have a financial safety net or cushion, but as we've seen during the COVID-19 economic crisis – they've also been quicker to adapt and evolve, than their peers. As we look ahead to Kenya's recovery from COVID-19, as we think you'll agree, Kenya's young entrepreneurs are well worth supporting.

CORONAVIRUS HAS TAUGHT ME NEVER TO RELY ON ONE HUSTLE. I MULTITASK SO IF ONE JOB FAILS, I HAVE ANOTHER ONE FOR BACKUP.

FEMALE, SMS MESSAGE



PART FIVE

THE BARRIERS TO BREAK

WHAT YOUNG MICRO-ENTREPRENEURS NEED TO SURVIVE & THRIVE

Since the beginning of the COVID-19 pandemic, we've been running WhatsApp Focus Groups with young people across Kenya to hear about the barriers they're facing, and to workshop new solutions together. Throughout these conversations, we identified the key barriers that are preventing millions of young people from accessing the huge economic and social benefits of becoming a full-time, self-employed informal sector entrepreneur. Together with young people in our network, and insights from experts in our field, we've also identified some of the small steps and interventions that can be taken to break those barriers down.

I think also there is lack of meaningful advisers. One thing I know is that starting a business is hard so if you don't have a mentor to guide you, you get that you aren't progressing businesswise

MALE, 20, NAKURU

If [a young person] has a job, obviously he needs to be given the advisers, who will guide him on how he can save that money, how he should manage himself when he has little money. But it is very rare you get the advisers nowadays

FEMALE, 20, NAIROBI

NETWORKS & SKILLS – CONNECTING YOUNG MICRO-ENTREPRENEURS¹⁷

THE BARRIER

In our conversations with young people, among the primary barriers they identify to setting up or growing their business were: limited access to hard and soft skills training, and feeling that they lacked access to the networks they need to to set up their own business, or to overcome the challenges they face in growing their hustle.

THE SOLUTIONS

Young people report that access to affordable, relevant training would provide them with the boost they need to support and grow their enterprises. They identify two core areas for skills support: hard skills (financial literacy, budgeting, stock management, and specific vocational skills) and soft skills (developing connections, client relationships and managing employees.)

Young people in our network particularly underlined that they were both keen to be connected with an informal sector mentor, or to provide mentorship for other young people. A peer-mentorship network would drive reciprocal value – growing the skills, self-esteem and agency of mentors, as well as mentees. At Shujaaz Inc, we know that peer-to-peer learning, particularly when combined with online and in-person networking, is highly effective.¹⁸

WHO CAN HELP

To meet the need, we need government, international development actors and the private sector to invest in innovative new approaches to develop the skills of Kenya's young micro-entrepreneurs. Experts highlight the importance of; awarding recognition to skills developed in the in-formal economy, upgrading of informal apprenticeships schemes and investing in training of informal trainers, as key solutions to explore.¹⁹



02

CRUEL OPTIMISM: IT'S TIME FOR A NEW STORY ABOUT THE INFORMAL SECTOR²⁰

THE BARRIER

Over the last two years, young people have consistently told us they felt like they'd been sold an unrealistic, unhelpful story about their future. They, like most young people across Kenya, had been brought up on the promise that if they got through school or college, they'd hold the keys to a career in the formal sector; to a full-time job and financial security. But when, like 90% of their peers, they graduated to discover that they couldn't secure a job in the formal sector, they were left paralysed by disappointment. That paralysis is what academic Lauren Berlant calls 'cruel optimism'; an inability to let go of an unachievable dream.

'Cruel optimism' is one reason why last year in our annual national survey, 23% of young people said they would only consider setting up a hustle as a 'last resort', if ever. For young people and their families, being seen as a 'hustler' can feel like a failure. We've seen first-hand that that combination of shame, disappointment and paralysis can quickly turn into isolation and leave young people vulnerable to extreme poverty, to petty crime, or even to the draw of Al Shabaab.

THE SOLUTION

To mitigate the risks of cruel optimism, it's vital that young people and their families are told an honest, but optimistic story about the future. We think step one is taking pride in Kenya's young micro-entrepreneurs: celebrating the economic value they create and highlighting the contribution they make to their local communities. Young people agree. In our on-going online conversations, young people are quick to highlight how having a mentor, or role model they could relate to can make a huge difference to imagining a new story about their future.

Knowing someone in your community who has a school diploma or a degree, but is proud to be a full time entrepreneur can have a big impact. A mentor or role model can be the nudge that inspires someone to set up their own business, or takes someone from a part-time 'hustler' to a 'Full-Time' Entrepreneur.

WHO CAN HELP

At Shujaaz Inc, we've harnessed our network of social ventures to start telling this new story: connecting our fans to role models that can help change the deeply held norms around what 'success' looks like. That's why today, 63% of our network either have a hustle or want to give it a go. However, to drive a national conversation that changes norms and celebrates the options available through micro-entrepreneurship, we'll need the support of Policy Makers, International Development Organisations, Educators, Journalists and Culture Creators to join in too.

But you know also teachers pressure us because they give us senseless hope for instance: go study, then you can buy an airplane.

MALE, 18, NAIROBI

My level of education? I have done a diploma in social work and community development. But for now, I am in business. I am hustling here and there. I sell chips just here at the market. I had to move to Homabay because if you looked at the business you want to do you realise that you won't be able to manage it in Shinyalu [Kakamega] because people would say, "This one went to school, what is she doing?"

FEMALE, 25, KAKAMEGA



03

For sure many youths have ideas but there is no money for capital.

MALE, 24, MOMBASA

It's hard for a citizen to get loan since they don't have anything to show that they are able to sustain themselves.

MALE, 20, NAIROBI



EXCLUDING THE INFORMAL: OPENING UP ACCESS TO START-UP CAPITAL²¹

THE BARRIER

Today, young micro-entrepreneurs across Kenya remain largely excluded from the formal financial sector, while available capital in the informal sector remains constrained.

Firstly, most young Kenyans can't access a loan or start-up capital from friends or family – because they often face the same financial vulnerability as them. And while at a community level, systems like chamas play an important role, young people often struggle to access a short-term loan, because they can't make an 'up-front' contribution to the communal savings pot.

The picture is more complex in the formal financial sector. But put simply; Kenya's financial sector just isn't built to support micro-entrepreneurs. Despite the scale of the demand, there remains a very limited portfolio of appropriate financial services, that are tailored to the needs of Kenya's millions of budding business leaders. The biggest barrier for young people, and financial service providers alike, remains 'risk'. Young entrepreneurs don't have a formal credit history, or financial identity against which they can secure a micro-loan or credit line for their business. All that remains are small-scale, short-term, unsecured loans from independent digital and mobile lenders – at interest rates that are far too high for business development.

THE SOLUTIONS

It's vital that Kenya's young micro-entrepreneurs are able to access the credit, micro-loans and grants they need to bounce-back from the shock of COVID-19, to scale their businesses and create decent working conditions for their co-workers.

In the short-term, our partners at FSD Kenya have advocated for an ambitious programme of cash-transfers for the informal sector; not simply as a 'humanitarian' response to the pandemic, but as a significant economic stimulus. While economist David Ndii has called for an ambitious \$500m - \$1bn 'lifeline' fund to provide soft loans to informal businesses.

Meanwhile, it's time for Kenya's financial sector to adapt; to invest in launching innovative, tailored, appropriate financial products that are capable of serving and supporting Kenya's millions of young micro-entrepreneurs, at scale and in the long-term.

In a digital, connected world a formal 'credit history' shouldn't be a barrier to accessing finance. We're already testing new models that draw on rich alternative data sets to build personal, digital identities that reflect the enormous potential of Kenya's young-micro entrepreneurs. Banks and financial institutions need to be bold and pay attention to new disruptive digital tools that can grow their market and shrink their risks.

WHO CAN HELP

Financial sector development experts like FSD Kenya and its regional partner FSD Africa are already playing a crucial role in accelerating change. To realise the promise of their insights and expertise, we need Financial Service Providers across Kenya to start prioritising young micro-entrepreneurs as the high-potential untapped market they reflect – and for government agencies to create the policy and regulatory environment they need to innovate.



04

POLICY & REGULATION: SUPPORTING YOUNG ENTREPRENEURS²²

THE BARRIER

In May-July we asked young people in our network ‘what are the top-three things about a country’s legal structure that can make it difficult for young people to succeed?’ Three of the leading responses were; not having national ID (20%); high fees and taxes for small businesses (10%) and not having a business license (10%). Kenya’s legal and regulatory system just isn’t designed for the millions of micro-businesses that keep its local economies going.

Oftentimes, informal micro businesses are treated in a similar way to formal SMEs; requiring them to go through, often complex, processes of obtaining a business license, a tax-payer number – and of course paying taxes on earnings. The current system offers very little support to informal micro-enterprises, nor does it offer protection from illegal pressures or corruption, that might require them to pay bribes, or unfairly high interest rates on informal loans.

THE SOLUTION

As Kenya struggles to recover from the Covid-19 economic crash, it’s vital that we create a policy and regulatory environment that supports young micro-entrepreneurs to bounce-back and flourish. At a high-level, young people in our network highlight the need for a more youth-friendly policy and regulatory environment; in which policies are designed and adapted to their needs. Ideas range from simplifying and digitalising the application processes, to providing training and outreach to support young people working in the informal sector to navigate existing legal structures.

Young people also highlighted the need to build communications channels for young entrepreneurs to share their ideas and concerns with local and national governance structures, and to receive support and protection in case of harassment or abuse.

WHO CAN HELP

Creating a supportive regulatory and policy environment for young micro-entrepreneurs will of course require the support and engagement of government agencies (including Kenyan Police Services, the Central Bank, and the Kenya Revenue Authority) – as well as advocacy organisations, think tanks and international development organisations. We also know that organisations like ours, as well as youth clubs, and even religious and community leaders can play an important role in amplifying the voices of young people, and facilitating vital dialogue between Kenya’s young entrepreneurs and key decision makers.

Still you find that this system kills youths’ dreams in the community because in order to start a business you need to spend more than your business [is worth] – in terms of a business certificate and a license.

MALE, 20, NAIROBI

A friend of mine wanted to start a business for M-pesa. By the time she raised capital, [the cost of] business permit has doubled triple times. So, she became demoralized and she went back to the drawing board, and it takes time to plan yourself again.

FEMALE, 20, MOMBASA



END NOTE

At Shujaaz Inc, we dream big and think long-term. Like policymakers, development experts and researchers around the world, we want the 20 million young people who enter Kenya's labour market in the next 20 years to have access to employment that provides them with financial security, safe working conditions and full working rights. We also recognise that much of the leading literature advocates for a long-term strategy that focuses on 'formalisation' of the economy, as the best route to reduce poverty and achieve those goals.⁸ We're not advocating against that long-term goal, nor the dilution of vital efforts towards securing decent working conditions.

Instead, this Compass is designed to help us to chart the way forwards, from where we are today. It's intended to focus on the millions of young people living and working in Kenya right now – and the millions more who formalisation efforts look unlikely to reach within the near-term. It's designed to help us to listen and learn from the young micro-entrepreneurs who're telling us their ideas – and how they think we can navigate the road in front of us.

Shujaaz Inc is a living network of 7.5 million young people across East Africa – who we're in a 24/7 conversation with. While we keep an eye on the long-term, our day-to-day work – as well as our insights and recommendations – are designed to respond to the needs of young people in our network right now.

We believe that celebrating, supporting and investing in Kenya's informal sector micro-entrepreneurs can play a big part in helping us to navigate the challenging road ahead; stimulating local economies, ensuring access to income and creating employment opportunities. We hope this report acts as a useful starting point; stimulating ideas for new policies, programmes and interventions. We hope it also acts as a reminder of the research that's left to be done to unlock the promise of the informal sector; from how we can improve working conditions and ensure decent work, to how we can harness Kenya's informal sector entrepreneurs to transition to a net-zero economy.

In the meantime, we'll keep an eye on the new research and thinking being done by experts and Nobel-prize winning economists, who are exploring ambitious new ways for economies like Kenya's to support its fast-growing youth populations – while operating within planetary boundaries. As we've found, the ideas young people in our network share with us have a habit of syncing up with world-leading economists...

