

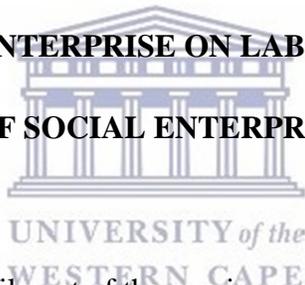


Institute for Social Development,

EMS Faculty

THE IMPACT OF SOCIAL ENTERPRISE ON LABOR MARKET STRUCTURE:

A CASE STUDY OF SOCIAL ENTERPRISES IN NAIROBI



A mini-thesis submitted in partial fulfilment of the requirements for the degree of Master of Arts in Development Studies at the Institute for Social Development, Faculty of Economic and Management Sciences, University of the Western Cape.

JOY MUTHANJE MWANIKI

Student Number: 3713849

Supervisor:

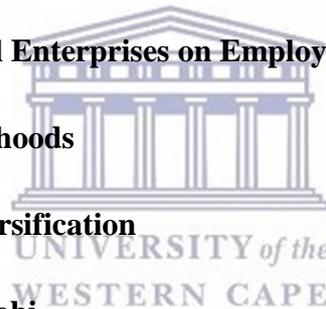
Prof Mulugeta F. Dinbabo

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DECLARATION

I declare that *The Impact of Social Enterprise on Labor Market Structure: A Case Study of Social Enterprises in Nairobi* is my own work, that it has not been submitted for any degree or examination in any other university, and that all the sources I have used or quoted have been indicated and acknowledged by complete references.

Full name: Joy Muthanje Mwaniki

Date: 18/06/2018

Signed.....



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ABSTRACT

Social entrepreneurship has spread worldwide, as social entrepreneurs seek the solutions to developmental challenges. This is especially true in Nairobi, Kenya, as social entrepreneurship has established itself in the labor market. However, there is limited knowledge regarding the impact of social enterprises in African countries, especially with regards to the labor market. It is for this reason that this study aims at highlighting the impact of social enterprises on the labor market in Nairobi, Kenya. It also provides an outline of the labor market structure in Nairobi.

The study employed a mixed methods approach, using both qualitative and quantitative approaches, collected concurrently as part of a concurrent triangulation design. Five social enterprises located in Nairobi were involved in the study, and were chosen through snowball sampling. These social enterprises offered direct employment, training programmes or support for beneficiaries to start their own businesses. The research instruments used in this study were as follows; 10 interviews (5 interviews with beneficiaries and 5 with social entrepreneurs), 50 questionnaires distributed to beneficiaries through random sampling, field work observations and a literature review.

The results of this study were that social enterprises in Nairobi have a significant impact on the livelihoods of beneficiaries by directly employing them, providing necessary skills for later employment or supporting them to start their own businesses. However, these increases in income are often either inadequate or inconsistent as most beneficiaries are forced to diversify their livelihoods. Social enterprises also fail to reduce the gender wage gap among their beneficiaries.

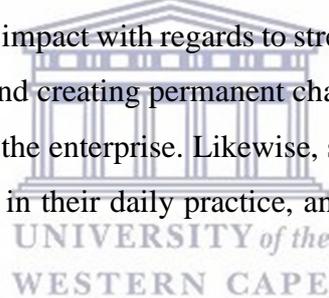
Social enterprises also increase market access among their beneficiaries by providing them with advice and training, as well as, direct access to customers. In the same vein, they increase the level of training of beneficiaries. This helps beneficiaries improve their relations with customers, produce high quality goods, hone their skills, gain employment, gain experience, build a repertoire, earn profits and start businesses. The subject of training also affects the income levels of beneficiaries, as many of those who study entrepreneurship, quality training and customer service earn above minimum wage.

Additionally, social enterprises impact formalization among their beneficiaries. However, once beneficiaries leave, they often return to the informal sector. Therefore, the impact on

formalization is only significant while beneficiaries are participating in the social enterprise. Social enterprises also influence the attitudes of beneficiaries, creating a more positive outlook on their contribution to the labor market. Likewise, social enterprises shift perceptions about formal qualifications as beneficiaries feel that they can still secure employment by showing their level of experience or body of work.

Lastly, social enterprises have limited impact on fair trade ideals as majority of the social enterprises in Nairobi are not knowledgeable about fair trade, and therefore do not aim towards it. For those that do adopt the fair trade model, it is unclear if they have influenced their beneficiaries to actually believe in these ideals or just simply require them to comply with fair trade regulations.

In conclusion, the study determined that social enterprises do have significant impact in the labor market structure, increasing livelihoods, improving educational qualifications, and influencing formalization and attitudinal structures in Nairobi. However, social enterprises must also focus on improving their impact with regards to strengthening livelihoods, especially among their female beneficiaries and creating permanent change in formalization among their beneficiaries even after they leave the enterprise. Likewise, social enterprises should consider the importance of fair trade ideals in their daily practice, and the value of imparting these to their beneficiaries.



KEYWORDS

Agency, community, employment, development, impact, labor market, Nairobi, social enterprises, structuration



Chapter 1: Introduction

There has been recent global debate surrounding social enterprise as a tool for development. This is largely due to the rise of social enterprises around the world that are working towards creating social impact. Globally, institutions such as Ashoka aim at enabling social entrepreneurs to set up operations (Mair & Marti, 2006; Smith & Darko, 2014). The situation is no different in Nairobi, Kenya, as more social enterprises are being created to provide goods and services with a social goal. Schools such as the Amani Institute train students on how to create a functioning social enterprise, whereas startup accelerators such as Growth Africa, support them in their work (Argidius Foundation, 2015).

Social enterprises play a variety of roles in economies worldwide, in areas as diverse as health and agriculture, and fill an institutional gap in society (Cornelius & Wallace, 2003). In Europe, particularly, social enterprises are known for their contribution to work integration programmes (Defourny & Nyssens, 2010a). They often spring up in response to a lack of resources or facilities in a community, unlike enterprises which look for markets that have the capacity to accommodate their growth. However, there is limited knowledge regarding their impact in African countries, especially with regards to the labor market.

This study therefore aims to highlight the impact of social enterprises on the labor market in Nairobi, Kenya. It also aims to provide an outline of the labor market structure in Nairobi. This is an important subject of study, as it can be used by social enterprises as a basis with which to seek investor funding, community support, or build legitimacy. It would also be of great interest to governments who seek a solution to high unemployment rates. Lastly, it will contribute to the limited academic debates around social entrepreneurship in Africa and its impact on the lives of beneficiaries.

1.1. Background: Defining Social Enterprises

There are several definitions of social enterprises, with some authors such as Short, et al. (2009) defining them as any enterprise that has a social goal. On the other hand, they can be defined as enterprises that are owned by not-for-profit organizations (Renz & Herman, 2016). Thompson & Doherty (2006) built on these definitions by providing a list of determining characteristics; a social enterprise has a social goal and uses its assets and trade to achieve it. It does not distribute its profits to shareholders, but rather reinvests the profits into its work. Ideally, social enterprises should be accountable to the community and their employees, and involve them in the decision making process. However, the most defining characteristic may

be that they have a double or triple bottom line, in that, they aim to create financial and social value. For the purposes of this study, this is the definition that will be used when referring to social enterprises.

Most social enterprises rely on a combination of investments, loans and revenue in order to operate (Mendell & Nogales, 2009). This financial innovation is as a result of the withdrawal of governments and donors from funding (Kerlin, 2010). The withdrawal in support is as a result of several factors including, a trend of liberalism that reduces dependence on the state, a weakening economy and a failure of NGOs to meet donor standards. Social entrepreneurs must therefore combine existing and scarce resources, in a process known as bricolage, to come up with innovative solutions to social problems (Kickul, et al. 2012). It has also allowed them to be more flexible and innovative in their approaches, as they are now unencumbered by the regulations imposed by donors (Di Domenico, et al. 2010).

1.2. Labor Market in Kenya

Kenya's labor force has been on a steady incline, growing from 8,811,318 people in 1990, to 19,352,343 people in 2017 (ILO, 2017). At the same time, the country's economy is cyclical in nature, undergoing periods of growth, followed by periods of decline. Much like other African countries, it has a dual labor market, made up of both the formal and informal sectors. The informal sector is characterized by low barriers of entry, as it involves unlicensed work, and does not require high startup costs or technical skills. However, the lack of regulation means that those in the informal sector do not have guaranteed access to pension and insurance schemes, namely the National Social Security Fund (NSSF) and the National Health Insurance Fund (NHIF). They also have limited access to formal credit facilities offered by commercial banks, but must instead rely on Savings and Credit Cooperatives (SACCOs) (Brady & Mohanty, 2013). Additionally, the informal sector is not subject to regulations such as the Regulation of Wages Order, which outlines minimum wages. This order ensures that those in the formal labor market are adequately compensated for their labor and protected from vulnerability (Mwangi, et al., 2017).

Despite the above challenges, the rate of job creation in the formal sectors, has been on the decline, as compared to that of the informal sector (Omolo, 2012). In Nairobi, the urban population is on the rise, as people migrate from rural areas in search of work. This, combined with low economic growth, has resulted in low job creation and high levels of poverty (Odhiambo & Manda, 2003). As a result, many turn towards the unpredictable informal sector

as a source of income (Sethuraman, 1976). The Kenya National Bureau of Statistics (2017, pp. 74) states that the informal sector employed 13.3 million people and was responsible for 89.7% of all job creation in 2016.

The nation's labor market is also characterized by high unemployment rates (ILO, 2017). Therefore, the economy does not benefit from the full potential of the country's labor force. The major causes of unemployment are limited economic growth, recessions, skills mismatch and poor information flows (Mose, 2014). Additionally, because of the recent political upheaval between the President, Uhuru Kenyatta, and the opposition leader, Raila Odinga, many individuals are losing their jobs due to a rising lack of confidence in the economy (UNDP, 2017). Structural unemployment mainly affects the youth, as they lack the skills and experience to compete with older job seekers, and are thus, not absorbed into the formal labor market. Furthermore, the youth lack an entrepreneurial culture, due to gaps in the educational system which places value on professional skills such as accounting. This has led to an attitude among the youth who believe that professional programs offer a better livelihood than self-employment. It is for this reason that most youth enroll in universities in lieu of vocational and technical institutions (Danish Trade Council for International Development and Cooperation, 2016).

Of the youth who are employed, most are engaged in precarious informal jobs that are not stable enough to provide a sustainable income (Muiya, 2014). When the youth can neither access the formal or informal sectors, this results in adverse social and economic effects on the country, such as higher poverty and lower economic growth. It also creates a sense of frustration among the youth, which leads to crime and political upheaval. This is emphasized by Lopez (2013) who points out that the youth played a violent role in Kenya's Post-Election violence of 2007/2008. Unemployment in one's youth also has an impact on one's employment opportunities later on in life, as it leads to wage scarring and longer periods of unemployment as an adult (Kiratu, 2012). The Danish Trade Council for International Development and Cooperation (2016), also found that due to greater labor mobility, and growing desperation among Kenyan youth to access employment, many search for employment abroad, most notably in countries such as the United Arab Emirates. This has made them vulnerable to human trafficking schemes that result in enslavement.

Unemployment is also a gendered issue, as women are more likely to be engaged in the informal sector, or be unemployed than their male counterparts. This is as a result of several

factors including lack of education and lack of access to credit, factors of production (such as land), and technology. In addition, they are subjected to attitudes around women in the workplace that result in occupational segregation (Atieno, 2006). Information and Communications Technology (ICT), for example, remains a male dominated field in Kenya today (Abagi, Sifuna & Omamo, 2006).

Moreover, the labor market is inhibited by challenges related to market access. Due to globalization and trade liberalization, new international markets have opened up. However, these are inaccessible to small-scale Kenyan producers and traders. This is as a result of the global competition posed by large foreign firms, which dominate local markets (Kiveu & Ofafa, 2013). These firms sell products that are priced lower, and are of a higher quality than local products. They also offer greater product diversity. Another challenge is that of lack of market information. Small scale producers and traders lack the market knowledge necessary to penetrate international markets and increase the scope of their marketing. They also lack the financial capacity to scale their access to markets. In the informal sector, access to markets is also constrained due to government regulation. Informal producers and traders are often harassed by the city council and are therefore unable to conduct their trade on a regular basis. Moreover, whatever markets that they do access, are not of a high value, and are saturated by other traders selling homogenous products (Brady & Mohanty, 2013).

Social capital also plays a role on the Kenyan labor market. Montgomery (1991) states that many individuals are referred to future employers by their friends and family. Employers ask for referrals from their high ranking employees and would rather hire people in this manner because it is inexpensive. Furthermore, the referral process is seen as a tool for screening out unqualified candidates (Fernandez, Castilla & Moore, 2000). The middle class tend to have access to social capital, afforded to them by their class status. Using this social capital, they can draw from their networks in order to secure a job in the formal sector. However, for Kenya's low income groups that do not hold connections with those in middle management, it becomes difficult to gain such information, as there are asymmetries in knowledge. This is especially true for the youth who lack social networks within the corporate world. They are then trapped in a cycle of exclusion where only the well-connected get opportunities to improve their livelihoods and in turn become even more well-connected (Hällsten, Edling & Rydgren, 2017).

In light of these inequalities within the labor market, several policy efforts have been launched. In 2006, the Kenyan National Youth Policy was unveiled. It created resource centers to provide the youth with entrepreneurship training, increased access to microfinance, education on labor laws, and specialization (Government of Kenya, 2006). In 2009, the government launched the *Kazi Kwa Vijana* (KKV) programme, which translates as Work for Youth. This was aimed at providing the youth with employment in public works. However, due to rampant corruption it only created jobs related to road construction. Additionally, these were biased towards young men, and only served to perpetuate gender biases (Hope Sr., 2012). Another employment policy was that of the Youth Enterprise Development Fund, introduced under Kenya's development plan, Vision 2030. It aimed at providing youth entrepreneurs with loans that would enable them to set up their businesses, and reduce youth unemployment. However, it has failed to address youth unemployment, as many youth are not aware of how to access it. Additionally, it requires applicants to have bank accounts, which many youth lack due to the high operating costs (Kamau, et al. 2018).

Other notable initiatives to address labor market inequalities include the 2006 Sessional Paper No. 2 on Gender, Equality and Development. This established a National Commission on Gender and Development. The paper also recognized the role that attitudes held by both men and women play in perpetuating gender inequality. In addition, the Employment Act of 2007 prohibits workplace discrimination based on sex, disability, pregnancy, creed and race, among others (Government of Kenya, 2012).

Due to such regulations, employers may not discriminate against marginalized groups such as women and the youth, directly. However, due to inequalities that these groups face in education, they are often excluded from the workplace, as they lack the required skills and qualifications (Suda, 2002). It is evident then, that the labor market in Kenya is unequal in structure, owing to the impact of poor training, low market access, inequalities in the informal sector and biased attitudes towards women and the youth.

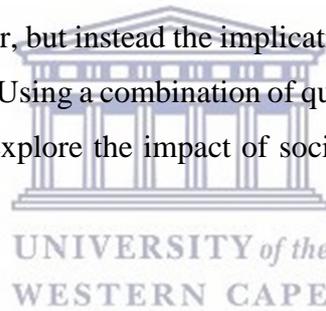
1.3. Problem Statement, aim, objectives and research questions

As previously stated, social enterprises are integral in creating social value, especially in communities where resources are scarce, and the state is unwilling or unable to provide public services (Cornelius & Wallace, 2003). Despite the marked growth in the field of social

enterprise, global literature that exists on the subject is limited. It either focuses on the innovation that social entrepreneurs use in seeking solutions to societal problems or its rise in the US and Europe (Braunerhjelm & Hamilton, 2012; Defourny & Borzaga, 2001; Defourny & Nyssens, 2010a). There is very little research that has been done on social enterprise in African countries (Littlewood & Holt, 2015), which is an interesting fact considering the need for social value and the high presence of social enterprises on the continent (Smith & Darko, 2014). In Kenya, particularly, numerous social enterprises work in order to improve the labor market, which is plagued by inequalities that favor the well-educated middle class (Muiya, 2014).

1.3.1. Aim of the study

This study therefore aims to fill the gap, and explores the impact that social enterprises have on labor market structures in Nairobi, using Giddens' theory of structuration, in conjunction with Stones' theory of strong structuration. Impact, in this sense, does not simply refer to the services that social enterprises offer, but instead the implications, influence and social value of such activities at a structural level. Using a combination of quantitative and qualitative research methodology, the study seeks to explore the impact of social enterprise on the labor market structure in Nairobi, Kenya.



1.3.2. Objectives of this study

The specific objectives of this study are:

- To provide the study with a theoretical and conceptual framework, through the discussion and/or analysis of applicable social enterprises have on the labor market
- To identify the impact that social enterprises have on the labor market structures in Nairobi, using indicators related to livelihoods, market access, training, formalization, fair trade and attitudes and to provide an outline of the labor market structure in Nairobi.
- To provide relevant conclusions and recommendations for social entrepreneurs in Nairobi.

1.3.3. Research questions

The research questions that will be answered in this study are:

- *How do social enterprises influence the trends related to livelihoods, market access, training, formalization, fair trade and attitudes within the labor market structures in Nairobi? and*
- *What is the labor market structure in Nairobi?*

1.4. Structure of the thesis

The thesis is organized in the following manner:

Chapter II provides definitions of key concepts relevant to the study, as well as an outline of social enterprises globally and in Africa, thereafter narrowing it down to the Kenyan context.

Chapter III, the study will draw on both the theory of structuration, and strong structuration. This will provide a theoretical framework on how social enterprises in Nairobi affect the internal and external structures of the labor market, to produce both intended and unintended outcomes.

Chapter IV will present a methodological approach to the study and will include information on the research instruments, sampling techniques and the data collection procedure. It will also describe the methods of data analysis including the use of Fisher's exact tests and framework analysis.

The V chapter provides the results of the study, making use of descriptive and inferential statistics, as well as a discussion and analysis. The VI chapter will conclude with a summary of the findings and will provide recommendations for social entrepreneurs.



Chapter 2: Literature Review

2.1. Overview

This chapter begins by defining key concepts related to the study. The concept of the labor market, market access, formalization, training and attitudes are explained, as well as their relation to social enterprises. Thereafter, an outline of social enterprises in Africa is provided. Lastly, the chapter presents a background on social enterprises in Kenya, and the empirical research available on them.

2.2. Definition of terms and concepts

2.2.1. Livelihoods

Livelihood is a concept that is highly relevant to the world of development. It has been defined and studied from several perspectives. Perhaps the most prevalent of debates is that of the concept of the Sustainable Livelihoods Approach (SLR). In this approach, livelihood is defined as being a combination of an individual's capabilities, assets and activities with which they can make a living (Krantz, 2001). Other studies related to livelihoods often reference the issue of livelihood diversification. Ellis (1998) states that this is a strategy that ensures livelihood security and protects households from shocks and stresses. On the other hand, Kaag, et al., (2013), define livelihood as the activities that people undertake in order to gain income with which they can buy food and secure housing for themselves and their families. Income is therefore a significant determinant of poverty as lower income levels result in an inability to access basic needs, and therefore a greater poverty level nationwide (Fosu, 2010).

In order to ensure that citizens are able to earn enough income to live off of, most countries introduce minimum wage laws (Freeman, 1996). In Kenya, particularly, minimum wages are dependent on one's location and sector of work. Those who are located in urban areas and engage in industry earn a higher minimum wage than those located in rural areas and engage in agriculture (Mwangi, et al., 2017). In the context of this study, livelihoods will relate to the most basic of terms, that is, the monthly income earned. This will be analyzed in relation to the country's minimum wage laws.

2.2.2. Labor Market

Neale (1964) defines labor as an activity undertaken in order to make a livelihood. Turner (1973), on the other hand, provides a deeper analysis, stating that labor can refer either to paid work, or to the people who undertake such work. Therefore, the labor market involves the sale of labor by a worker, in exchange for income. It operates in the same manner as other markets, in that it is influenced by demand and supply dynamics which are impacted by social institutions. Employers also tend to have excessive power over labor thereby causing inequality (Powell & Zwolinski, 2012).

Within the labor market are structures related to human capital, market access and attitudes involved within the recruitment process. Additionally, when considering the labor market, it is integral to consider the dual sectors that are characteristic of developing economies, that is, the formal and informal sectors (Chen, 2012). This study will look at these labor market structures within Nairobi, in relation to social enterprises.

2.2.3. Market Access

The term, market access, refers to the ability of producers to engage in markets. This relates to different types of markets, whether formal or informal, local or international markets. One's access to such markets may be inhibited by costs related to production inputs and transportation, as well as the physical distance from markets (Chamberlin & Jayne, 2013). However, the greater the market access one has, the more income they generate. It is important to note though, that the nature of the market determines the level of returns. When producers have access to formal markets, the prices of their products increase as well (Becchetti & Costantino, 2008).

In the event of inaccessible markets, it is expected that governments will intervene and rectify such imbalances. However, when governments fail to do so, social enterprises step in. They do so because they regard markets as part of the social structure, that is, a structure that the poor should be enabled to participate in. It is for this reason that social enterprises do not merely focus on building institutions in order to create markets, but rather on building institutions that include the marginalized (Mair & Marti, 2007). They provide platforms through which the marginalized can sell their products. It has also been argued that market access can be improved through collective action, as it equips producers with bargaining power (Markelova, et al., 2009).

Another viable means of improving market access is that of ICT. The internet and social media provide a platform for traders where they can access customers and sell their products globally. Additionally, it provides a means through which they can access information on the market and network with other traders (Kiveu & Ofafa, 2013). When considering this, however, it is imperative to reflect on the access that marginalized groups have to such technology and the internet. This may be limited due to several reasons, not least of which involves the financial costs of acquiring a smartphone and subscribing to a mobile data provider. In the context of this study, market access will refer to the ease with which traders and artisans in Nairobi can gain a platform to sell their goods and services to consumers. This platform may be physical, in the sense of actual marketplaces, or digital.

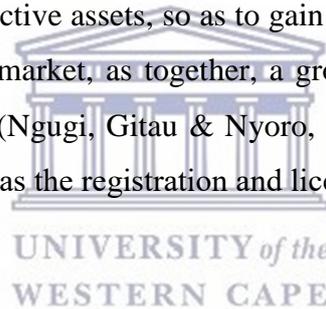
2.2.4. Formalization

Formalization has several definitions depending on which context it is being analyzed. According to Chen (2005), formalization is regarded by policymakers as the process by which informal businesses acquire a license to operate and pay taxes. Among informal business owners, however, formalization is a means by which they can gain legal ownership over their businesses, and have access to tax incentives, social protection and trade associations. On the other hand, for those employed in the informal sector, formalization involves a formal wage job that provides them with social protection.

In order to understand how to formalize the informal sector, we must first understand why individuals and businesses join it in the first place. De Mel, McKenzie and Woodruff (2013) argue that firms may become informal through one of two ways, that is, exclusion or exit. Exclusion refers to the inability of firms to enter the formal sector due to the high costs involved in registering a business. Exit refers to the process by which firms opt to leave the formal sector, in favor of the informal sector which provides greater advantages. As previously mentioned before, these advantages include lower barriers of entry and less regulation (Brady & Mohanty, 2013). These channels to informality are also similar for individuals. Those who lack the training and networks necessary to get a job are excluded from the formal sector, and are therefore forced to join the informal sector. This is supported by Chen (2012), who states that individuals who lack social protection cannot afford to be unemployed. Therefore, they join the informal sector. In the same vein, many individuals exit from the formal market as a result of their employers. In several instances, employers transition a percentage of their staff into informal work, by paying them under the table so as to avoid taxation and the mandatory social

security contributions for their staff. In this case, the worker is often complicit as they wish to retain their employment.

Therefore, the most debated question surrounding this topic, is how the informal sector can be formalized. Tokman (2001) states that formalization should include the recognition of ownership of property, based on alternative means of verification, as many in the informal sector lack legal documents to prove their ownership. These alternative means can include the use of witnesses who can attest to the fact that one has occupied a portion of land for a significant number of years. This will provide those in the informal sector with collateral, with which they can access credit. Additionally, formalization should include the regulation of labor relationships through the use of labor contracts. The process and costs of setting up formal firms should be simplified and reduced respectively. Lastly, once informal producers and traders join the formal sector they should organize themselves and work collectively, in order to enjoy economies of scale. Social enterprises can contribute to this by helping organize such groups, and combining their productive assets, so as to gain market access. This is better than individual attempts to access the market, as together, a group can lobby for fairer working conditions and better trade terms (Ngugi, Gitau & Nyoro, 2007). Within the context of this study, formalization is understood as the registration and licensing of one's business.



2.2.5. Training

Training constitutes any activities that allow individuals to learn useful, new skills that they can then use to increase their social capital and secure a livelihood (Morgan, 2016). Whereas training initiatives may have a single focus, they are likely to produce intended and unintended outcomes among participants. This is emphasized by Denny, et al., (2011) who argues that training related to entrepreneurship skills not only leads to more businesses being led by participants, it also results in positive attitudes related to the nature of work, and confidence in their abilities. This is likely to spur participants to continue with their personal development, through either employment, entrepreneurship or education.

This study analyzes training as a tool with which social enterprises can impact the internal structures of individuals in the labor market. It will therefore consider any apprenticeship and vocational training that is provided to beneficiaries. This could be conducted in a formal learning environment, or informally through 'on-the-job' training. This is because Eade (1997) states that the effectiveness of training is heightened when participants are able to put what they have learned into practice. The training can be offered in a range of subjects, from work

preparedness, labor laws, entrepreneurship or technical skills that can be used in the production of a good or service. This study will also look at how beneficiaries make use of the training that they have received.

2.2.6. Fair trade

According to Blowfield and Dolan (2010), fair trade organizations are considered to be socially beneficial because they seek to provide products and market services while improving the standards of living among producers in developing economies. Fair trade is considered to be a means of international trade that protects consumers and limits the exploitation of marginalized groups involved in the production process.

It can be argued that this focus on ethics and social value in trade is due to a recent rise in consumer awareness. Customers are now aware of the injustices of unfair trade on workers in developing countries (Hale & Opondo, 2005). The textile and technological industries in particular have come under scrutiny for the mass production of goods in sweatshops, often located in countries in Asia, Africa and Latin America. This is often because labor laws in such countries are less regulatory (Powell & Zwolinski, 2012). Here, workers are forced to work in poor conditions for long periods of time, often for low wages.

Fair trade requirements, as defined by the Fairtrade Labelling Organization (FLO), state that umbrella fair trade organizations should maintain constant prices, ensure that their producers are paid fair wages and give equal opportunities to marginalized groups. Additionally, they must employ environmentally friendly practices, be accountable and provide the producers with an opportunity to invest in the very goods they produce. Lastly, they must ensure safe working conditions, create trade connections and offer both financial and technical assistance (Becchetti & Constantino, 2008). Redfern and Snedker (2002) add that fair trade companies can provide support through the provision of credit facilities, risk sharing and capacity building. In this study, fair trade was understood as the uptake of fair trade ideals, as defined by the FLO, among social entrepreneurs and policy makers.

2.2.7. Attitudes in the labor market

An attitude can be regarded as a bias that is either for or against a person or occurrence. According to Ajzen (2005), the philosopher Plato outlined three ways in which an individual's attitude can be determined. Firstly, one can determine one's attitude based on their verbal and non-verbal cognitive responses. Verbal cognitive responses can be determined by statements

where one expresses their beliefs about a subject, whereas non-verbal responses can be determined by one's reactions. Secondly, attitudes can be determined through affective responses which are based on one's feelings. These include emotional verbal statements or non-verbal responses, such as facial expressions. Thirdly, conative responses can be used to infer attitudes. These are based on what people generally do, or would do. Verbally, they are expressed as what an individual would do in a hypothetical situation, whereas non-verbally, they are expressed through their actions (Breckler, 1984).

Attitudes are acquired over time. Because of this, they can be altered when one is exposed to events that allow one to change their mind (Sila, 2014). Attitudes about marginalized groups in employment form part of the social and class structures that influence the labor market. This is evidenced by De Giusti and Kambhampati (2016), who studied the impact of socio-cultural norms on the labor market participation of Kenyan women. They found that factors such as religion and patriarchal norms emphasize the subordination of women, and therefore lowers the likelihood that they will join the workplace. This means that attitudes surrounding the role of women in the workplace can limit their agency in getting a job. They also found that women who have a similar education level as their partners are more likely to work outside the home, than women with lower education levels than their partners. This indicates that training and education can also change the attitudes that people hold. Educated women are more likely to seek employment. In the same vein, educated husbands are more likely to support this decision. Therefore, training can help people build positive attitudes towards work (Denny et al., 2011). Training can also initiate attitudinal shifts about self-employment as it opens up participants' minds to the idea of self-employment as a possible career path (Nelson & Johnson, 1997).

Social interactions can also shape individual's attitudes. This is emphasized by Mahinda (2004), who states that by treating the youth with respect, their attitudes change and they gain confidence in their abilities. However, when the youth perceive the labor market to be impenetrable, then they are less likely to invest in their own human capital, and therefore drop out of school (Riphann & Zibrowius, 2016). The consequence of this is that they the engage in criminal activity. Additionally, when one believes that they do not have the capacity to get productive employment in the formal sector, then they lose the motivation to apply for such positions in the future (Hällsten, Edling & Rydgren, 2017).

Attitudes also affect the demand side of the labor market. Wambui, Wangombe and Muthura (2013) argue that some employers hold diversity biases. These can be manifested through

assumptions of superiority, where an individual believes that they are more superior to another. There are also assumptions of correctness where one believes that they are the only ones who know what is right. Lastly, are the assumptions of universality where one believes that everyone is the same. When employers hold a diversity bias, then they allow exclusion in the workplace. In Kenya, this is evidenced when employers and investors tend to distrust the youth due to perceptions that they are irresponsible. Additionally, the youth tend to not believe in themselves. Many Kenyan youth do not view themselves as entrepreneurs and only turn to self-employment as a last resort, once they are unable to access formal employment (Mahinda, 2004). This study will look at the attitudes among employers that influence their hiring practices, as well as the attitudes among individuals about joining the labor market.

2.3. Social enterprise and the labor market worldwide

Social enterprises have traditionally had a long history with the labor market. In the 1980s, countries in Europe, including the Bismarckian, Nordic and Southern countries faced high levels of unemployment and rising social needs (Defourny & Nyssens, 2010a). In Belgium, France, Ireland and Germany, this led to the rise of a labor market programme that attempted to provide the unemployed with jobs, as part of active labor market policies. These jobs also involved providing social services to the community, in what was a collaboration between the government and not-for-profit associations.

In the Nordic countries, the presence of a social democratic welfare regime translated into a sense of solidarity and a culture of co-operatives among workers. Here, these co-operatives aimed at providing work integration for those who were marginalized in the labor market. In Sweden, for instance, co-operatives were formed to provide employment to persons with disabilities (Defourny & Borzaga, 2001). This is in line with the school of thought championed by the Emergence of Social Enterprise (EMES) Research Network in Western Europe, which viewed social enterprise as a form of collective social action that is autonomous and participatory (Braunerhjelm & Hamilton, 2012; Kerlin, 2010; Manetti, 2014). This participatory approach includes citizens in the enterprise's design and service delivery as it assumes that they have a level of knowledgeability about the structures that constrain them (Steinerowski & Steinerowska-Streb, 2012). Additionally, social enterprises are seen as a way to reduce dependence on a welfare state by encouraging communities to be responsible for their own change rather than relying on handouts (Kerlin, 2010).

Social enterprises also began to focus on work integration in countries such as Italy and Portugal, thereby resulting in the rise of Work Integration Social Enterprises (WISEs). These aimed at providing jobs to unskilled individuals, convicted felons, recovering drug addicts, among other marginalized groups. Their impact was so widespread that social enterprises were soon understood in Italy as enterprises that provided employment to the poor and persons with disabilities (Defourny & Nyssens, 2008).

Work integration programmes also began to take hold in Asia in the 1990s, such as in Hong Kong, where there was a decline in the economy, and a shift in social welfare, that is, from welfare-to-work. Ho and Chan (2010) studied the impact of WISEs in Hong Kong through interviews with social enterprise employees and customers. They found that WISEs provide beneficiaries with income and skills that increase their potential for future employment. They also assist them in gaining the experience that they would require to run their own businesses. Furthermore, they reduce the stigma that marginalized groups, such as convicted felons, face in the labor market. Social enterprises can therefore be used to introduce and reintegrate marginalized members of society into the labor market.

2.4. Social enterprise and the labor market in Africa

The focus of this paper now turns to social enterprises and the African labor market. The need for analyzing social enterprises from the African perspective is due to the specific context provided by African countries (Karanda & Toledano, 2012). Rwamigabo (2017) states that in the Rwandan context, several different types of organizations are classified as social enterprises. These include NGOs that either engage in trade or skills development, and NGOs that provide beneficiaries with microfinance. On the other hand, categorizing social entrepreneurship in South Africa is a complex exercise. This is because the term encompasses a wide range of organizations such as NGOs, CBOs, social-corporate partnerships, and small, micro- and medium sized enterprises. Additionally, it is used with reference to social intrapreneurship, that is, the introduction of social values in a typically profit-based firm. This complexity in definition is due to several reasons, including the country's lack of legal framework concerning social entrepreneurship, as well as the fact that social enterprises remain a new concept (Claeyé, 2017).

The rise of social enterprises in Africa was due to government withdrawal from public service delivery in the 1970s as a result of the Structural Adjustment Policies. These policies

encouraged a market based approach to development. NGOs found themselves having to turn towards a social enterprise model that is, supporting their social activities through selling goods and activities. Additionally, they sprang up to fill the gaps in public service delivery, such as lack of education and healthcare (Poon, 2011).

Social entrepreneurs in Africa face unique challenges related to unstable political climates, resource constrictions and limited markets. Despite this, they make use of different strategies to impact the labor market. They either provide support to entrepreneurs, act as market intermediaries, provide market linkages or create job opportunities for low income populations. In Zimbabwe, for example, social enterprises provide those who want to start their own business with the skills and financial services necessary to become entrepreneurs. Others provide market intermediation by adding value to the goods produced by farmers or artisans, and connecting them with markets that they would otherwise have not had access to (Kerlin, 2009).

2.5. Social enterprise and the labor market in Kenya

It can be noted that through the Structural Adjustment Policies introduced in the 1980s, the government of Kenya began to withdraw from providing services such as education and healthcare (Wangenge-Ouma, 2008). This resulted in greater challenges for the civil society and non-state actors in accessing donor funding largely due to competition and policy restrictions. This prompted some organizations to begin entrepreneurial activities so as to sustain their projects (Kerlin, 2009).

Kenyan social enterprises usually register as companies, or not-for-profits that operate under the NGO Act of 1992, whereas others register as a hybrid of both. Many are supported by such institutions as Ashoka and the East African Social Enterprise Network (EASEN), as well as several incubation centers and accelerators (Smith & Darko, 2014). Ndemo (2006) states that social entrepreneurship in Kenya also includes faith based enterprises. These are for-profit enterprises that are run by faith based organizations in order to fulfill a social need. They often set up enterprise development centers to enable individuals to set up and run businesses. In other cases, some hire women and youth to produce goods for export. Additionally, they assist those who are stigmatized in society, such as ex-convicts, former prostitutes, recovering drug addicts and persons living with HIV/AIDS, by providing them with skills training and employment opportunities. They also offer rehabilitation and counselling schemes for these

groups, so as to help them build their characters, and therefore develop positive outlooks on life.

However, the social enterprise scene in Nairobi is not strictly faith based. Some social enterprises are linked to international organizations. These also provide marginalized groups with the support they require in order to start a business. One such example is that of the Community Cleansing Services which selected and trained youth in the informal settlement of Mathare in Nairobi. They were enabled to start their own sanitation enterprises, which cleaned public toilets, engaged in rubbish collection, and recycling (Thieme, 2005).

Additionally, there has been an effort by organizations in the third sector, such as the Fair Trade Organization of Kenya, to improve market access for traders and producers through fair trade. This has established itself in Kenya, as an alternative to conventional international trade. Fair trade products can be found in a wide variety, ranging from traditional artifacts, agricultural products, to tourism (Becchetti & Costantino, 2008). Despite its prominence, however, Kenya lacks a fair trade policy. Any mentions of fair trade in the nation's National Trade Policy, mainly refers to fair competition and access to market infrastructure. It also refers to the protection of local industries from unfair practices such as dumping (Republic of Kenya, 2017).

Unfortunately, there is little existing empirical research on the impact of social enterprises on the labor market in Kenya. Whatever literature there is on Kenyan social entrepreneurship focuses on the social entrepreneur and the impact that both external and internal structures have on social enterprises. Diochon and Ghore (2016) studied how social entrepreneurs create social enterprises in Kenya. They determined that it is a process that is both creative and unpredictable. Koitamet and Ndemo (2017) studied the impact that management, financial access, technology and entrepreneurial culture have on social enterprise performance in Kenya. The researchers used a descriptive research design on a sample size of 78 employees of two social enterprises, Iko toilet and Care Kenya. They found that entrepreneurial culture, management, financial access and technology had a significant and positive relationship to the performance of social enterprises.

In the same vein, Kiruki (2016) studied the entire population of social enterprises in Kenya, so as to determine the relation between the financial and social performance of social enterprise, and entrepreneurship orientation. The study concluded that there was a significant and positive relationship between entrepreneurial orientation and the financial performance of social enterprises, but none between entrepreneurial orientation and the social performance of social

enterprises. Additionally, it found that social enterprises in Kenya had a low level of entrepreneurial orientation.

Social enterprises in Africa and Kenya have played a significant role in the labor markets, whether through providing training, employment or market access. They have the potential to solve high rates of unemployment, whether directly or indirectly (Evers & Schulze-Böing, 2001). Social enterprises can also assist the poor by enabling them to become micro-entrepreneurs (Sodhi & Tang, 2011). They strengthen the micro-entrepreneurs' supply chain by improving their access to financial credit facilities through micro-lending, and providing them with market information. Social enterprises can also increase market access by providing new sales channels. Alternatively, they can procure goods which can be sold by the micro-entrepreneurs. In such instances, the products serve a social purpose in themselves, as in the case of clean energy goods. Lastly, they can improve the productivity of micro-entrepreneurs by acquiring inputs or equipment, on their behalf (Cieslik, 2016). Therefore, they enable marginalized groups to gain employment, join the formal market and escape poverty. Additionally, they influence attitudes among their beneficiaries by offering rehabilitation and counselling programs to improve their self-confidence.

Despite this, it is worth noting that some authors have criticized the role that social enterprises play. Cook, et al., (2003) argue that social enterprises cannot effectively alleviate poverty and unemployment. This is because the very nature of social entrepreneurship has its foundations in neoliberalism, which places value on profit over social impact. Additionally, Fotheringham and Saunders (2014), note that some social enterprises engage women in work that is traditionally considered as women's work. Although this provides beneficiaries with employment, it fails to alter attitudes about what kind of work women should do.

2.6. Chapter Summary

Livelihoods, market access, formalization, training, fair trade and attitudes all influence the participation of individuals in the labor market. Social enterprises have also played a vital role in the labor market structures, especially through work integration programmes in Europe, and later Asia. Social enterprises in Africa have also played a role in this field, albeit in a different context. These typically provide microfinance, skills development, market intermediation and even job opportunities for marginalized groups. There is also a heavy presence of social enterprises in Kenya, however, there is little empirical data that relates to them.

Chapter 3: Theoretical and conceptual Model for Understanding Structural Impact

3.1. Introduction

This chapter presents the theoretical and conceptual frameworks for the research. As previously stated, this study aims to determine the impact of social enterprise on the labor market structure in Nairobi. Therefore, the unit of analysis is the social interaction between the social enterprise and the labor structures around them. To understand this, it is prudent to consider a theoretical base from which to define impact.

3.2. Structuration and Strong Structuration

Mair and Marti (2006) state that Giddens' structuration theory is a vital lens through which to study social enterprise and structural change. Steinerowski and Steinerowska-Streb (2012) also used structuration theory to determine how rural social enterprises emerge. It found that social enterprises emerge through adaptation to the specific rules and norms that both constrain and enable them.

In structuration, Giddens (1984) writes on the concept of embeddedness and the duality of structure, which states that it is impossible to separate the agent and the structure. Agents are either constrained or enabled to act by the structures around them. This means that structures are not static, instead, they are constantly being shaped (Joas, 2009). Further, to this, structuration states that individuals are knowledgeable about the structures in their lives (Layder, 2012).

However, structuration theory has been criticised for its limited applicability in empirical research. It fails to identify a specific methodology with which it can be used, and involves a high level of abstract thinking that makes it complex in nature (Pozzebon & Pinsonneault, 2005). Owing to these limitations, this study will also make use of Stones' (2005) strong structuration theory. This is an adaptation of Giddens structuration theory which expanded the duality of structure, comprising of agents and structure; to a quadripartite cycle, made up of external and internal structures, active agency and outcomes.

External structures are a result of action, whereas the internal structures are held within the agent. There are two kinds of internal structures, that is the *conjuncturally-specific* and the *general-dispositional*. The general-dispositional or the habitus is made up of the skills and

socialized opinions which are unnoticed and undisputed. They are shaped through interactions in formal settings, such as at school, or informal, such as interactions with friends and family (Layder, 2012). The conjuncturally-specific refers to how certain roles hold rules and normative expectations (Stones, 2005).

Active agency refers to the acts produced when agents draw on their internal structures, whereas action signifies that one has the power to change certain aspects of one's life (Joas, 2009). It is through this agency that one transforms the structure and produces outcomes.

According to Sewell (1992), structures create other structures. This is evident in Nairobi's labor market which is influenced by social and class structures. The middle class have access to quality schools and consequently well-paying jobs. On the other hand, the poor tend to be poorly educated (Odhiambo & Manda, 2003). Poor women are more disadvantaged than poor men. Girls are often at risk of dropping out of school for reasons such as teenage pregnancy, cultural norms or financial limitations (Lloyd, et al. 2000). Overall, this results in lower educational levels, poor employment opportunities and therefore an unequal labor structure.

For the purposes of this study, social enterprises will be considered as being both agents and part of the external structure. This is based on Giddens's (1984) duality of structure that states the two are inseparable. Agents either reproduce or change the structures that helped them act in the first place. This is the cycle of structuration where agents draw on structures in order to act. Therefore, the structural context provides institutional gaps, which social enterprises then rise to fill (Kerlin, 2010; Mair & Marti, 2006). This is evident if we were to consider a social enterprise that seeks to provide employment for a marginalized group. The social enterprise, as an agent, arose out of a failure from the labor market (external structure), forms part of the labor structure, and acts to transform the very labor market that created it. This means that the structure allows agents to act, and it is through this action that the structure changes. Therefore structure is a constraint on, an enabler of, and a result of action.

However, this is dependent on their allocative and authoritative resources. Allocative resources refer to the power over things, whereas authoritative refers to the power over people. These resources give the actor power to change the structure, in what is known as transformative capacity (Callinicos, 2004). One must be able to produce social forms, as well as control the decisions of others through social relations and power (Barbalet, 1985; Karp, 1986).

3.3. Social Enterprises and the Labor Market Structure

The following instrument is Stones' representation of the quadripartite cycle. It studies how external structures influence an agent's internal structures, which therefore impacts the agent's action, to produce an outcome.

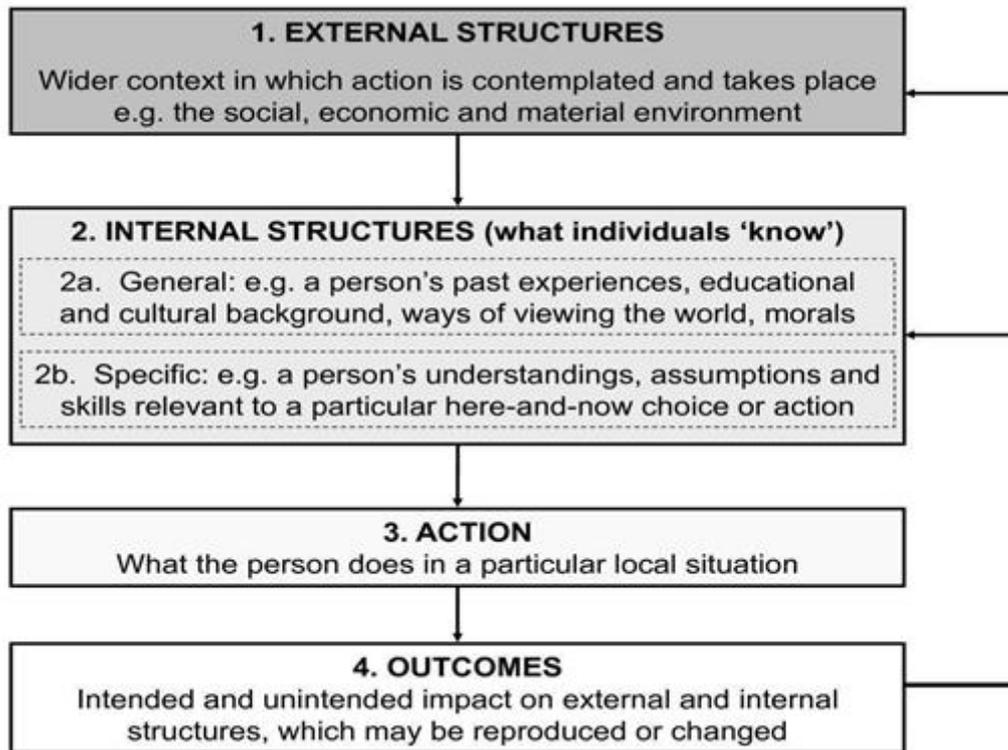


Figure 1: Stones' Structuration Theory

Source: Stones (2005, pp. 85)

As previously stated, social enterprises form part of the external structures, that is, the labor market. They, as agents, also shape it by improving market access for artisans and the unemployed (Defourny & Nyssens, 2008; Keizer, et al. 2016). They offer employment services to the marginalized, for example, young poor women, who would not be able to access employment otherwise (Maas, 2013). Therefore, the outcome would be that of a labor market that was initially only made up of middle class men, but is now more inclusive of women from low income backgrounds. Moreover, most social enterprises use fair trade terms when working with beneficiaries and employees, ensuring that the terms of work are decent and regulated (Nicholls, 2008). This means that all workers are compensated fairly and operate in safe working conditions. Using this ideal, social enterprises can influence the government and

policy-makers to create and implement fair trade regulations within the labor market (Defourny & Nyssens, 2010b). This produces an outcome of a fair labor market and reduces the incidences of precarious work.

However, the efficacy of the social enterprise to change the labor market, is dependent on its allocative and authoritative resources, as well as the structures around. Although social enterprises have limited resources, they are able to mobilize funds, assets, skills and influence in order to achieve a certain social objective. Social enterprises must hold autonomy and be depended upon by their beneficiaries and their respective communities. Through this domination, they can change existing external structures, such as the labor system, and internal structures, such as opinions on whether or not women should go to work. This is done through social interaction and power. As a result of this, they produce intended and unintended outcomes.

Social enterprises also influence the internal structures of beneficiaries including their skills, beliefs and norms. They do so by first addressing the gaps and inequalities in the educational system. They then offer short training to the marginalized who tend to have low education levels (Alvord, et al., 2004; Navarrete & Agapitova, 2017). This training may be in professional skills such as management and sales, or in personal skills such as leadership and self-confidence. The training and market access afforded to beneficiaries allows them greater agency, as they can draw on these to move to a formal job (Rothschild, 2009). Lopez (2013) states that training is especially important among the youth, as it is a means to compensate for their lack of experience. Thus, the labor market becomes less exclusionary to those who do not have formal education or traditional qualifications, such as a degree (Spear & Bidet, 2005).

Additionally, social enterprises can alter the informal market. An artisan, for example, will be able to access wider and potentially international markets using the platform provided by the social enterprise, and thus secure a sustainable livelihood for themselves. This is in contrast to the limited and informal market that they would have had access to if they worked individually (Tokman, 2007). Therefore, social enterprises can formalize the informal sector, as they provide the self-employed with access to markets that are regulated and protected (Evans, 2007). This is also true with social enterprises that offer employment to beneficiaries, as they allow them entry into the formal labor market. This leads to the outcome of greater livelihoods for beneficiaries.

Moreover, social enterprises can influence the opinions of beneficiaries through informal contexts such as daily interactions (Layder, 2012). As agents, the social enterprise holds a role that has certain normative expectations (as part of the conjuncture-specific structures). Beneficiaries expect the social enterprise to be working towards the benefit of all, rather than simply seeking a profit. Therefore they will place their trust in it and allow their general-dispositional structures, or opinions, to be influenced. This is especially true where the social enterprise has made use of a participatory approach in its project design. By hiring those who are marginalized, such as persons with HIV, social enterprises can reduce the level of stigma around these groups (Midgley & Conley, 2010). This may change the social perception, or the general-dispositional structures, in the labor market and prompt other employers to hire members of these groups as well. Additionally, members of such groups begin to view themselves as being valuable members of society. Therefore, the outcome is that internal structures impact external structures by creating a labor system that includes the underprivileged, rather than systematically excludes them.

Lastly, through any of the above measures, beneficiaries form networks amongst themselves and others in the labor market (Midgley & Conley, 2010). Individuals from the same disadvantaged background, are able to build bonding social capital among themselves, so as to provide a support system (Ndemo, 2006). These networks are a form of social capital that can be drawn upon when pursuing other forms of employment, even after the beneficiaries leave the social enterprise. As previously stated, employers ask their managers for referrals (Montgomery, 1991). Former beneficiaries who rise through the ranks of an organization are able to refer their colleagues for employment, thereby reducing the information asymmetry and exclusionary nature of the labor market that only favors the middle class.

3.4. Measuring the Impact of Social Enterprises (Operationalization)

The importance of determining social impact cannot be understated. Maas and Liket (2011) argue that impact assessments increase organizational efficiency, accountability and transparency to stakeholders, including investors, beneficiaries, the community and employees. Social entrepreneurs can also use the results of impact assessments to gain greater investment. Additionally, seeing the full impact of their work can act as a motivation tool for employees as they see that their efforts change communities for the better. However, there is no defined measurement with which to determine the impact of social enterprises. Bull (2007) states that determining the impact of social enterprises is challenging because social value is difficult to

measure and present in quantitative terms. Moreover, it is an expensive activity for social enterprises which typically have limited resources.

Despite these difficulties in assessment, several scholars have attempted to evaluate and measure impact. Bagnoli and Megali (2011) attempted to measure performance of social enterprises based on management control systems focusing on the economic determinants, that is, the amount of profit earned and value added, the social impact on the beneficiaries and the community, as well as their institutional legitimacy. Institutional legitimacy, in this case, refers to the level to which the social enterprises have followed the law and achieved the terms expressed in their mission statements. However, external researchers may have great difficulty in gaining access to and ascertaining the accuracy of such information, including data related to profit level and legal legitimacy, as these would likely be self-reported by the social enterprise.

Millar and Hall (2012) studied the use of Social Return on Investment (SROI) to measure the social and economic impact of social enterprises in health and social care. As a tool, SROI has been utilized in the UK and the US. It uses a cost-benefit analysis to determine the amount of monetary value created through social impact. This is done by dividing the net present value of benefits by the net present value of investments. However, this poses the immense challenge of assigning monetary value to subjective social outcomes. It also runs the risk of providing inaccurate results, as the social enterprises may be unable to provide reliable evidence. Further to this, it is a lengthy and costly exercise that would be impractical for small-scale social enterprises.

Therefore, in light of the struggles that the above authors have faced in measuring impact, strong structuration proves to be the ideal alternative to determining impact. Thus, rather than attempting to measure impact in numerical form, this study looks at the change seen within structures related to the labor market in Nairobi. This is because strong structuration provides a comprehensive framework for study that encompasses external structures such as the formal sector, to internal structures, such as the attitudes and beliefs of those in the labor market.

3.5. Chapter Summary

Agency and structure cannot be separated, therefore a social enterprise is both an agent and part of the external structure. Social enterprises were created because there were failures in livelihoods, training, market access, formalization, fair trade and attitudes in the labor market.

They then act to solve these very failures, and therefore change the labor market structures through the cycle of structuration. The structures that are transformed in this manner include internal structures, that is the general-dispositional and the conjuncturally-specific structures, of beneficiaries, which are changed through training. In this study, these structures are represented through the skill set and attitudes of beneficiaries. Social enterprises also impact external structures within the greater labor market, such as livelihoods, market access, formalization and fair trade.



Chapter 4: Methodology of this study

4.1. Overview

This chapter provides information on the methodology used for the purposes of this study. The chapter starts with a detailed elucidation of the research design. Also, the sampling techniques, data collection methods, data analysis process as well as the statement of ethics that guided the conduct of the research are discussed. It also provides details on how the key variables were operationalized and the research instruments selected. The chapter thus intends to provide a strong footing for the subsequent chapters.

4.2. Research Design

A research design is a plan or logical structure for study that allows the researcher to adequately answer the research question. Therefore, the selection of a research design is dependent on the research question and the evidence required to answer it (De Vaus & de Vaus, 2001). Miller and Salkind (2002) also state that there are other determinants that influence the characteristics of the research design. These include the type of data and level of access to respondents that the researcher has, as well as on the data source and the method of data collection.

4.3. Research method

Jick (1979) states that qualitative and quantitative methods of research should be combined in a process of triangulation, otherwise known as the mixed methods approach. It will allow the researcher to view the problem from different perspectives. On the one hand, qualitative research methods provide in-depth information on a particular topic. It is best suited to understanding the beliefs and behavior of people (Miller & Salkind, 2002). Cresswell and Cresswell (2017) support this by stating that a mixed methods approach is ideal as it balances out any weaknesses that one method may have. Therefore, this study used both qualitative and quantitative approaches in order to provide a comprehensive view of the problem. Both the quantitative and qualitative data was collected concurrently, as part of a concurrent triangulation design, and later compared, so as to highlight any links or associations.

4.3. Hypotheses

The hypotheses that was tested in this study were:-

Null hypothesis: Social enterprises do not create significant change in the labor market structures in Nairobi.

Alternative hypothesis: Social enterprises create significant change in the labor market structures in Nairobi.

4.4. Operationalization of Key Variables

In line with the instrument above, this study will make use of the following variables:

Liveable income: Seccombe (2002) defined liveable income as an income that is considered to be adequate to live on. In most countries, this is defined by the minimum wage. According to the Regulation of Wages Order, the minimum wage received in Nairobi should not fall below approximately Ksh.10,000 per month (Mwangi, et al., 2017). Therefore, for the purposes of this study, this was determined by the number of beneficiaries who have made minimum wage or more from engaging in the social enterprise, either through direct employment within the social enterprise or employment acquired using the networks and training gained by the beneficiaries during their time with the social enterprise. Additionally, it included any income gained through greater market access afforded to the beneficiaries through the social enterprise. In order to acquire such information, the respondents were presented with a scale of monthly income, that is '*Less than Ksh. 10,000*', '*Between Ksh. 10,000 and Ksh. 25,000*' and '*Ksh. 30,000 or more*', and were asked to select which one was closest to their monthly income level. This was used for the purposes of descriptive analysis.

Additionally, the researcher sought to determine the number of beneficiaries whose income had increased since joining the social enterprise. Those who had increased incomes were assigned the value of 1, whereas those who did not were assigned the value of 0.

Market access: Increased access to local and international markets allows individuals to earn higher incomes from their products (Markelova, et al. 2009). This variable was determined by the number of beneficiaries who have been able to access previously impervious markets, as well as the scale of the new markets. In order to determine how many beneficiaries have greater market access, respondents were asked whether they found it easier or harder to access the market since joining the social enterprise. Those who found it easier were marked as 1, so as to indicate greater market access, whereas those who found it harder were marked as 0, so as to indicate unincreased market access. This was with the aim of conducting a logistic

regression. Thereafter, respondents were asked if their sales and prices had increased or decreased. The data gained from this was used in descriptive statistics.

Additionally, the study aimed at determining the nature and scale of market platforms used by beneficiaries both before and after joining the social enterprise. This information was gathered by asking respondents who were engaged in trade or artisanship to list how they sold their goods prior to and after joining the social enterprise. The categories listed were 'Online', in a 'Temporary Stall', by 'Hawking', in a 'Permanent shop', at 'Home' or through other means.

Training: In Scully-Ross' (2005) analysis of agency, structure and the low wage market in America, he found that external structures, impact the personal agency of workers, either through expanding or stunting their general-dispositional structures. That is, they can either expand the skills of workers through training, or limit them, through specialization. For the purposes of the study, the variable training was defined as any formal and informal training that was provided to beneficiaries by the social enterprise. Respondents were asked to state whether they had ever received training within the social enterprise, and whether it was formal or informal.

Formal training comprised of short-courses that were conducted with an instructor, and was determined in this study by the number of beneficiaries who had attended such sessions. Informal training involved the use of on-the-job training and was determined by the number of beneficiaries who stated that they had received such training.

Additionally, the applicability of the training in the beneficiary's life was determined. This information was collected both qualitatively, where respondents were asked about how they have used the training they received in their life, and quantitatively, where respondents were asked whether the training improved their lives. For those who responded in the affirmative, they were asked to select different ways in which the training helped them. The categories were 'It is easier to find a job', 'It is easier to start a business', 'It has improved relations with customers', 'It is easier to make a profit', 'It is easier to get a loan' and 'Other'.

Formalization: According to Tokman (2007), formalizing informal markets reduces the incidences of precariousness and exclusion in the labor market. Formalization was determined by the number of individuals who had successfully transitioned from the informal sector in favor of the formal sector, due to the work of the social enterprise. Respondents who operated businesses were asked whether they had business licenses before and after joining the social

enterprise. A dummy variable named '*Formalization*' was created where respondents who answered that they did not have a business license before they joined the social enterprise, but obtained one after joining, were marked as 1, whereas those who did not have a business license both before and after joining the social enterprise were marked as 0. This was for the purpose of conducting a logistic regression.

Fair trade ideals: Nicholls (2005) states that fair trade is a development tool that allows consumers to buy ethically produced goods directly from producers at a fair price. This data was collected qualitatively as part of the interviews held with the social entrepreneurs. Respondents were asked about their social enterprise's uptake of fair trade ideals, and that of the policy environment around them.

Attitudes: Attitudes and opinions form part of the general dispositional structures (Stones, 2005). This variable was determined by the change in opinions among beneficiaries about the labor market, since joining the social enterprise. This was collected qualitatively through interviews with the beneficiaries and social entrepreneurs. Respondents were asked about the opinions that they are aware of in the community, related to persons with disabilities, women, and persons with low educational qualifications in the workplace. They were also asked about their opinions on these issues, and whether or not these had changed in their duration of engagement with the social enterprise. In order to counter-check respondents' answers, the researcher observed the behaviour in which they interacted with other beneficiaries, including women and less educated people.

4.5. Research Instruments

Interviews: According to Harrel and Bradley (2009), an interview is a discussion between an interviewer and a respondent in order to gain information. The study made use of semi-structured interviews which allowed the researcher to adapt the questions for the context. Through these interviews, the researcher collected qualitative information regarding how the social enterprise has changed the opinions of beneficiaries and community members. It also focused on how training provided by social enterprises impacted the lives of beneficiaries. Interviews with the social entrepreneurs also included questions related to the impact of the social enterprise on fair trade policies and regulations.

Questionnaires: A questionnaire is a list of questions that are in written form and are filled out by the respondent (Marshall, 2005). The study included a structured questionnaire that was

given to beneficiaries. This was done so as to collect quantitative data on how many beneficiaries have been able to gain access to training, the formal market, and increased their access to markets. It was also used to determine how many beneficiaries have been able to improve their livelihoods.

Field work observation: Rubin and Babbie (2016) state that observation allows the researcher to test their hypothesis. Therefore, one visit was made to each of the sites of the five enterprises so as to observe the study subjects and to collect qualitative data. This allowed the researcher to determine the attitudes beneficiaries held, the manner in which they interacted with each other, as well as the influence that the social enterprise had over their opinions and attitudes.

Literature Review: Literature reviews provide a vital foundation with which to understand a specific subject (Webster & Watson, 2002). A literature review was therefore done so as to build on the existing knowledge regarding social enterprises, as well as on the labor market in Kenya. Additionally, it provided a foundation for the theoretical framework.

4.6. Sampling procedure

According to Miller and Salkind (2002), the main aim of sampling is to choose a sample that provides a low sampling error. This ensures that the results from the sample population can be generalized to represent the overall population. The initial sampling method that was used to gain access to the social enterprises was snowball sampling. The researcher approached the Amani Institute, an established educational facility in Nairobi that trains social entrepreneurs, in order to get referrals. In order to ensure that the sample group was not over-representative of one type of social enterprise, the researcher requested that she be referred to social enterprises that assist beneficiaries with employment services, provide direct employment, job training, or improved market access for artisans or traders. The result was that the researcher was introduced to five social enterprises. Some of these social enterprises have branches in other parts of Kenya, including Mombasa, but they all were headquartered in Nairobi.

The researcher made use of the random sampling method in order to select respondents for the questionnaire. In random sampling, each respondent has an equal chance of being selected. Additionally, the probability of one individual being selected is not dependent on the selection of other individuals (Teddlie & Yu, 2007). The study also employed the use of an embedded model of design. This meant that some of the beneficiaries who completed the questionnaire were also interviewed. This, according to Cresswell and Cresswell (2017), is appropriate in

situations where the researcher has a limited amount of time to complete the study, as was true in this case. These interviewees were selected randomly.

4.7. Data Collection

The researcher chose to collect primary data for the purposes of this study. Primary data is data that has been collected by the researcher directly. This gives the researcher an accurate understanding of the quality of data. Additionally, it enables the researcher to collect the specific data that is relevant to the study (Norman & Blaikie, 2003). This method was selected due to the fact that very little secondary data exists on social enterprises in Nairobi.

Data was collected over a period of 4 weeks, during which 50 beneficiaries answered questionnaires, whereas 5 social entrepreneurs and 5 beneficiaries were interviewed. Furthermore, the researcher visited each of the work sites once during the 4 week study, so as to conduct fieldwork observation.

4.8. Data Analysis and Model Specification

Quantitative data analysis was done using version 12 of Stata. It began by using descriptive statistics to determine demographic data related to gender, age, educational qualifications and country of birth. This provided the researcher with an overview of the sample population. Thereafter, logistic regressions were done. These regressions were performed in order to determine, firstly (i), the factors that result in increased livelihoods, secondly (ii) those that result in increased market access, and thirdly in, (iii) formalization.

These were calculated using the multiple regression function as follows:

$$= \text{logit } p = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_k X_k$$

Where, p is the dummy variable that indicates increased livelihoods, β_0 is the constant of the equation and β is the coefficient of the predictor variables. In the second regression, the same function was used, however, p was the dummy variable that indicated increased market access. In the third logistic regression, p was the dummy variable for formalization.

In order to minimize errors related to overfitting, the number of independent variables used in the multiple regression model were limited to a maximum of four in each regression. This therefore increased the generalizability of the results.

Research question 1: When answering the first research question, descriptive and inferential statistics were used. Cross tabulations were used to describe the change in data related to the livelihoods, access to markets, activity in the formal sector and training level of beneficiaries. Thereafter, the Phi correlation and the Fisher's exact tests were performed so as to determine the relationships between variables.

Due to the fact that the author made use of a concurrent triangulation design, the second half of the first research question was also analysed qualitatively by analysing the change in training, formalization, attitudes and fair trade practices. This was based on a deductive approach, in order to test the null hypothesis that social enterprises do not have a significant impact on the labor market in Nairobi.

Research question 2: Finally, in answering the second research question, the data was analysed using a framework analysis. This method was selected due to the fact that it provides a comprehensive and systematic analysis, and produces information that is easy for non-experts in the field of inquiry to understand (Ritchie & Spencer, 2002). Themes related to the labor market were therefore charted out.

4.9. Limitations of the Study

The researcher limited the quantitative sample size to 50 respondents. Ideally, in quantitative studies, the sample size is larger so as to have greater representativeness of respondents (Tashakkori & Teddlie, 2010). However, the researcher had to contend with time constrictions that made a larger sample size impractical.

Moreover, the researcher would also have wished to look at the household assets that beneficiaries were able to secure from revenue earned through activities with the social enterprise. This, according to Krantz (2001), is a more accurate indicator of improved lives, than earned income. This is due to the fact that it provides the researcher with insight regarding the livelihood security that a household or individual has. However, the researcher looked at income so as to provide a baseline with which future study can be based on, as little information exists on the beneficiaries of social enterprises in Kenya.

Finally, the study involved the use qualitative data, including observations made by the researcher on the attitudes of beneficiaries. Whereas care was taken to ensure that any analysis related to this was conducted objectively, it is still important to note that qualitative data is

susceptible to different interpretations by different researchers. Norman and Blaikie (2003) emphasize this by stating that interpretive processes are determined by the researcher's own knowledge and inferences.

Chapter 5: Data Analysis and Discussion

5.1. Introduction

This section represents the data that was collected and analysed during the study, as well as a discussion of the findings. Five social enterprises participated in this study, as well as their beneficiaries, social entrepreneurs and senior managers. These organizations were selected due to the fact that they provide employment or capacity building services to underprivileged groups in Nairobi. The first social enterprise was *Nairobi Trust*, an organization that trains marginalized youth in ICT skills. The study also looked at *Somo Project*, which trains and empowers social entrepreneurs from low income backgrounds to create and scale their businesses. The third social enterprise was *Nai Nami*, a tour company that is run with youth from the informal settlement of Mathare. Fourthly was *Livelyhoods*, an organization that provides youth from informal settlements with a job selling life-improving products to others in their community. Lastly, the study analysed *Soko Inc.*, an organization that provides *juakali* (or metal work) artisans with a mobile app in order to sell their products abroad.

50 questionnaires were administered and all were filled and returned to the researcher. Where respondents were illiterate, the researcher assisted in filling the questionnaires in. In addition, five interviews were conducted with beneficiaries, and another five with senior managers or social entrepreneurs. These were conducted in a mixture of English and Swahili. Lastly, the researcher visited each of the social enterprises' sites and noted down field observations.

5.2. Discussion of Findings

5.2.1. Demographic Data

In order to provide a foundation for the study the researcher collected the demographic characteristics of the respondents, as can be seen in the table on the following page. All respondents were Kenyan. The gender makeup was made up of 29 males, 17 female, whereas 4 respondents preferred to not to list their gender. Most of the respondents were in their youth,

as 48.89 percent were under 25 years of age. 69.57 percent of participants stated that they were household heads, with an average household size of 4.7 people.

Characteristics		Frequency (n=50)	Percentage (%)
Gender	Male	29	63.04
	Female	17	36.96
Age category	Under 25 years	22	48.89
	25-30 years	8	17.78
	31-35 years	5	11.11
	36-40 years	5	11.11
	Over 40 years old	5	11.11
Household Heads	Head of Household	32	69.57
	Not Head of House	14	30.43
Household Size (Persons)	2	4	10.00
	3	3	7.50
	4	16	40.00
	5	8	20.00
	6	4	10.00
	7	2	5.00
	8	1	2.50
	9	1	2.50
	12	1	2.50
Educational Level	Did not complete primary education	2	4.35
	Completed primary education	6	13.04
	Secondary education	28	60.87
	Diploma	6	13.04
	Did not complete College	1	2.17
	Degree	3	6.52

Table 1: Demographic Data of Beneficiaries

As is evident in Table 1, the educational level of respondents was moderately high with 60.87 percent of respondents having reached secondary school. Only 4.35 percent did not complete primary education while 13.04 percent did. In addition, 13.04 percent had received diplomas. However, only 6.52 respondents had completed degree and 2.17 percent began but did not complete college.

5.3. Employment Structures in Nairobi

The study used interviews to highlight the employment structures in Nairobi. Beneficiaries were asked to state their main challenges when seeking employment. Among the youth, the main challenge listed was that they lacked the experience, skills and qualifications that employers required. This is supported by the Danish Trade Council for International Development and Cooperation (2016), who state that Kenyan youth tend to be poorly skilled and are therefore at a disadvantage in the labor market. On the other hand, a common theme among all respondents was that of social capital. It was found that jobs in Nairobi are often gained through connections or networks within firms. Therefore, a lack of networks is a barrier to employment as marginalised groups tend not to know anyone in high ranking positions and are therefore unlikely to get a job (Hällsten, Edling & Rydgren, 2017).

A third trend that emerged during the study, is the rise of technology. Businesses in Nairobi now use technology as a training tool, a product, or as a channel for monitoring and evaluation. New recruits are expected to be conversant with the latest technological advancements, including the use of mobile applications. This is a challenge for persons from low income backgrounds who likely lack computer literacy and resources such as android phones (Kiveu & Ofafa, 2013). Thus, they are often excluded from the labor market. Additionally, the field of technology has become a male-dominated industry that sees lower rates of participation among women. This can be attributed to the gender gap in Information Technology courses at the university level (Abagi, Sifuna & Omamo, 2006).

5.3.1. Impact of Social Enterprises on Employment Status

Ho and Chan (2010), argue that social enterprises increase the chances of beneficiaries gaining employment, whether now or in the future. They do so by providing beneficiaries with training or the necessary support required to start a business. Evers and Schulze- Böing (2001) elaborate on this by giving an example of social enterprises in Germany. These offer temporary

employment to marginalized groups and act as a means by which beneficiaries can join the labor market.

This is confirmed by the results gathered during the study. The first impact that social enterprises have had on the labor market is the change in employment status of their beneficiaries. Figure 2 below indicates the employment status of beneficiaries before joining the social enterprise. 26.53 percent were employed full time, 18.37 percent were employed part time, 38.78 percent had been self-employed, 10.2 percent were students and 6.12 were unemployed.

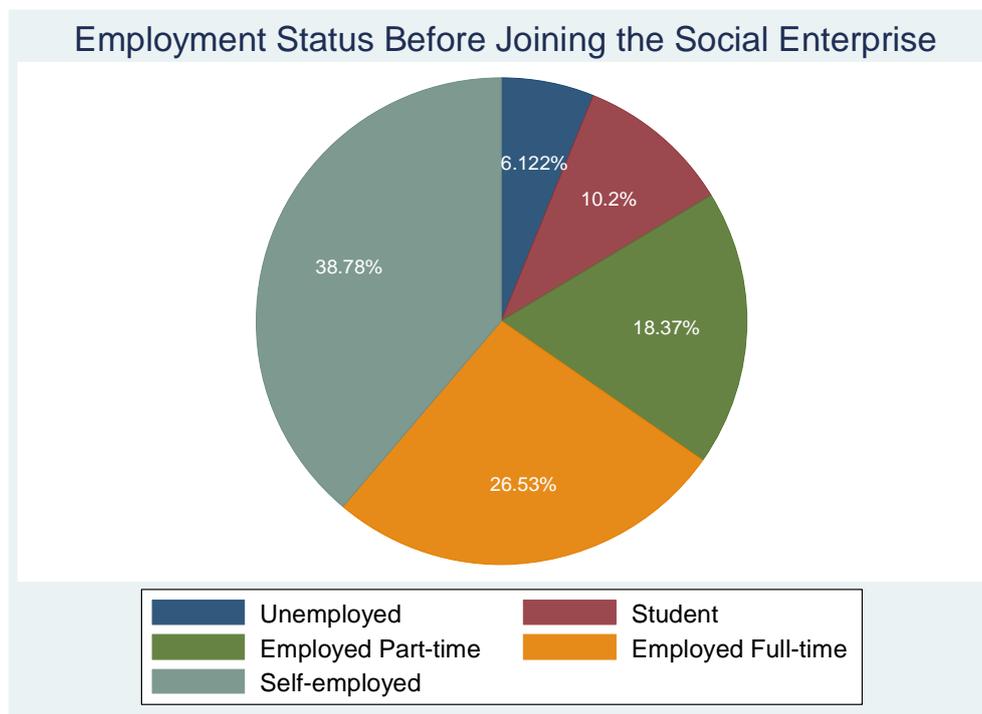


Figure 2: Employment Status before Joining the Social Enterprise

After joining the social enterprise, 34.04 percent were employed full time, 8.51 percent were employed part time, 44.68 percent were self-employed, and 12.77 percent were students. None were unemployed.

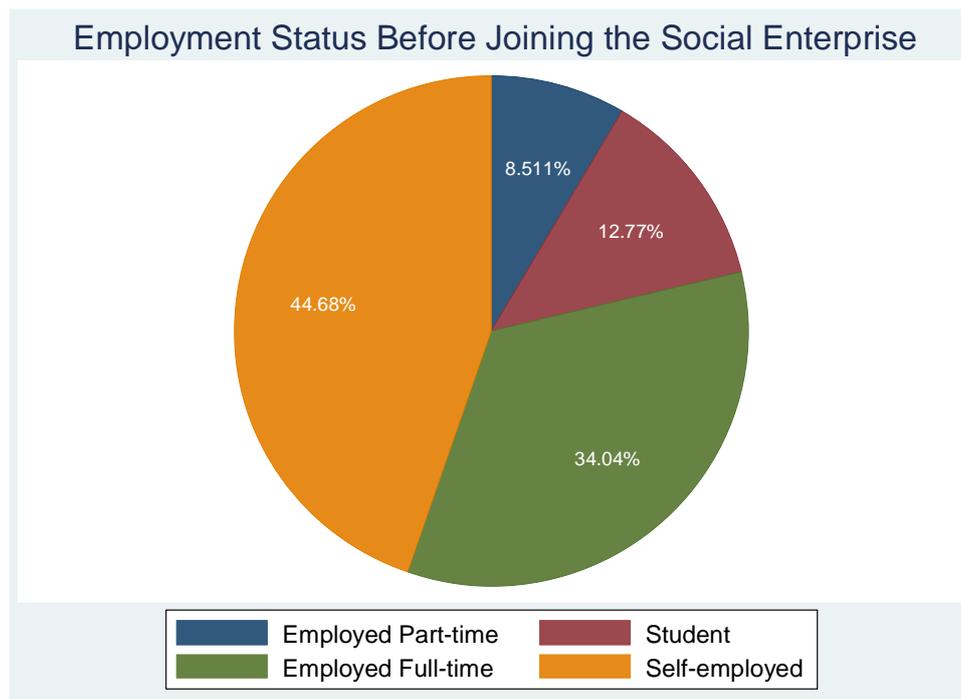


Figure 3: Employment Status after Joining the Social Enterprise

The above shows that joining a social enterprise has the following effects on the employment statuses of beneficiaries. Firstly, it reduces the rate of unemployment among beneficiaries. Social enterprises provide employment by either hiring beneficiaries directly or by linking them to other employers. Alternatively, they provide support for beneficiaries to start their own businesses. Thus, as a part of the external structure, social enterprises reintegrate beneficiaries into the labor market (Kerlin, 2006). Secondly, by joining a social enterprise, beneficiaries receive an education, whether formal or informal. They are trained in practical skills that will assist them in their work (Nyssens, 2007). In some cases, they are also provided with certification to prove their professional capacities, which they can then use to secure later employment. In fact, 87.1 percent of respondents stated that they received either a certificate or diploma from their social enterprise (see Appendix B).

During the interviews, it was also found that social enterprises positively impact the social capital of beneficiaries. Through their participation within the social enterprise, beneficiaries gain a valuable network amongst themselves. This is known as bonding social capital (Ndemo, 2006). For instance, all senior managers that were interviewed stated that they often recruited beneficiaries based on references from other beneficiaries or alumni. Indeed, 43.48 percent of respondents in the study stated that they joined the social enterprise based on referrals from relatives (see Appendix C). Additionally, it was observed that beneficiaries are able to create

bridging capital with senior managers within the social enterprises, and can thus benefit from mentorship. Therefore, social enterprises, as part of the external structures influence the internal structures (that is, the social capital) as well as the external structures (that is, the employment status) of their beneficiaries.

5.3.2. Impact on livelihoods

Social enterprises often aim to increase the livelihoods of their beneficiaries (Ho & Chan, 2010). This is particularly effective where social enterprises work to strengthen the supply chains of beneficiaries involved in production (Sodhi & Tang, 2011). Additionally, where a country does not provide social benefits to its citizens, there is often a greater increase in income after joining a social enterprise (Nyssens, 2007).

To determine the impact of social enterprises on livelihoods, respondents were asked to recall their income levels before they joined the social enterprise. Among respondents who earned income through the social enterprise, 48.84 percent earned an average monthly income of Ksh.10,000 or less, 18.60 percent earned between Ksh. 10,000 and Ksh. 25,000 per month, whereas 11.63 percent earned Ksh. 30,000 or more (See Appendix D). Thus, 48.84 percent earned below minimum wage. It is also important to note (as shown in Appendix D) that 20.93 percent of respondents stated that their average monthly income was too inconsistent for them to determine an average monthly amount.

When asked if their income had increased since joining the social enterprise, 76.6 percent of respondents stated that it had, whereas 23.4 percent stated that it had not (refer to Appendix E). This increase in income is likely due to the fact that three of the social enterprises involved in the study directly employed beneficiaries, thereby reducing the incidences of unemployment. However, there are other variables that are likely to increase the income of beneficiaries, which have been analyzed below.

One likely factor that could have impacted the rising incomes of beneficiaries, is the type of goods and services that they sell through the social enterprise. As can be seen in Figure 4, the goods that respondents traded were as follows, 55.32 percent sold cookstoves and solar lamps while 34.04 percent sold jewellery. A further 4.26 percent sold clothing, 2.13 percent sold farm goods, 2.13 percent sold second hand clothing, and another 2.13 percent dealt in curios.

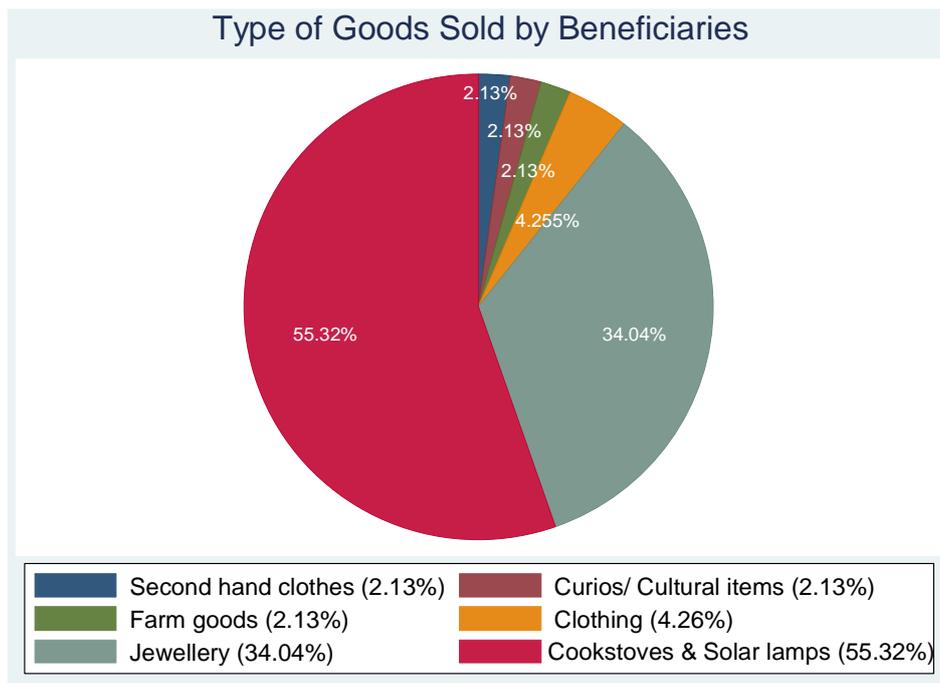


Figure 4: Type of Goods Sold by Beneficiaries

Social enterprises either provide the actual goods or offer training on how to produce them (Ndemo, 2006). It is possible that these products fetch high prices and are in great demand, thus increasing the incomes of beneficiaries. A cross tabulation was therefore performed so as to determine whether the type of goods sold is responsible for the increase in income. This can be seen in Table 2 below.

Type of Goods	Change in Income Since Joining Social Enterprise	
	No Increase (%)	Increase (%)
Farm Goods	100	0
Clothing	50	50
Second hand clothes	0	100
Curios	100	0
Jewellery	12.50	87.50
Cookstoves & Solar lamps	20.83	79.17

Table 2: The Effects of Different Goods on Income

The data revealed that only certain goods were responsible for increases in income. None of the respondents who sold farm goods and curios benefited from increased incomes. However,

100 percent of those who sold second hand clothes did, followed by 87.50 percent who sold jewellery, 79.17 percent who sold cookstoves and solar lamps, and 50 percent of those who sold clothing. Therefore, only social enterprises that enable beneficiaries deal with goods in high demand increase the beneficiary incomes of beneficiaries. It is important to note that a portion of these proceeds often go towards supporting the activities of the social enterprise (Kerlin, 2006).

Despite the increases in income seen above, it was evident that there was income inequality within the sample group. 86.67 percent of all female respondents earned below minimum wage (less than Ksh. 10,000), as opposed to 33.33 percent of all male respondents (see Appendix F). This would indicate that despite their participation within a social enterprise, women are still susceptible to the wage gap that is present in the Kenyan labor market (Danish Trade Council for International Development and Cooperation, 2016). In order to verify this further, a Phi correlation was done in order to determine the correlation between gender (where male =0 and female=1), and minimum wage (where above minimum wage =0 and below minimum wage=1). This was based on the alternative hypothesis that there is a positive relationship between earning above minimum wage and being male. This yielded a moderate positive correlation coefficient of 0.5164 with a p-value of 0.003. Therefore, the alternative hypothesis was accepted. Thus, social enterprises have limited impact in maintaining wage equality among men and women. This is significant as it indicates that the gender wage gap is a trend that remains prevalent within the Kenyan labor market.

The next step in the study was to find out why female beneficiaries in social enterprises earn less than their male counterparts. A cross tabulation revealed that after joining social enterprises, 50 percent of men were more likely to start their own businesses, as compared to only 33.33 percent of female beneficiaries. However, this alone does not explain the disparity in income. Therefore, the researcher sought to determine whether there was a gap between how men and women were able to scale their businesses after joining the social enterprise. In this case, scaling a business was defined as the ability to employ someone else in one's business. A cross tabulation was done that showed that 62.50 percent of men were able to employ someone else after joining the social enterprise, as compared to only 18.18 percent of women. A Phi correlation test was done in order to verify this. It was based on the alternative hypothesis that there is a significant relationship between gender and the ability to employ someone in one's business. This produced a moderately weak correlation of 0.4116 and a p value of 0.015.

Therefore, women who are engaged in trade earn less than men as their businesses operate on a smaller scale. In light of this, social enterprises that aim to reduce wage gaps between their male and female beneficiaries should focus on helping women scale their businesses.

5.3.3. Livelihood Diversification

Livelihood diversification is a coping mechanism and acts as a means by which people protect themselves from economic shocks and stresses that threaten their survival (Ellis, 1998). It is often done when a person's income is too low to adequately support one and their household. According to Kerlin (2009), social enterprises help marginalised groups take up stronger livelihood activities that will provide them with stable incomes. This can be in the form of employment or through support in starting a business. Ideally, these activities should be adequate to raise one's standards of living and protect them from potential shocks. However, as noted by Nyssens (2007), the stability of incomes and therefore, that of the livelihood strategies offered, is dependent on the terms available to the beneficiaries by the social enterprise, that is, whether they are offered long term or temporary employment, or support to start their businesses. Those with short term employment or support tend to suffer from weakened livelihoods.

As previously mentioned, 20.93 percent of respondents had inconsistent incomes and 48.84 percent earned below minimum wage. Perhaps it is for this reason that 48.98 percent of respondents stated that they diversified their incomes, aside from their activities with the social enterprise (see Appendix G). To verify this, they were asked the reasons for diversifying their incomes, which are represented in the bar chart on the following page.

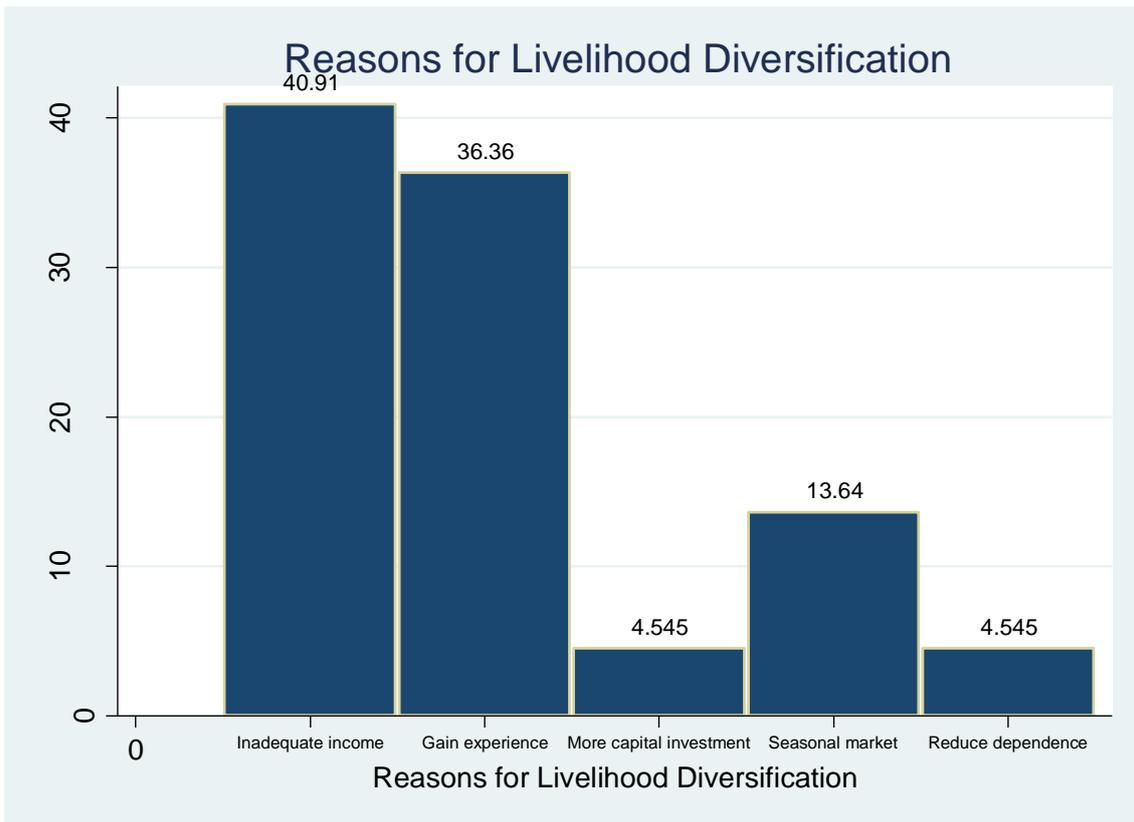


Figure 5: Reasons for Livelihood Diversification among Beneficiaries

40.91 percent stated that their incomes were inadequate to support their families, whereas 36.36 percent wanted to gain more experience and sharpen their skills. 13.64 percent diversified their incomes due to the seasonal nature of the markets for their goods. Additionally, 4.545 percent wanted to gain more capital investment to plough back into their businesses, whereas another 4.545 percent wanted to reduce their dependence on the social enterprise. It is evident, therefore, that livelihood diversification is a common trend among beneficiaries in social enterprises. Despite having increased income, beneficiaries feel that these incomes are neither adequate nor stable. Diversification of livelihoods is therefore a mechanism by which households protect themselves from shocks and stresses (Ellis, 1998). Thus, social enterprises must not only focus on increasing the incomes of beneficiaries, but also on stabilizing and increasing them above minimum wage.

5.4. Market structures in Nairobi

The market in Nairobi is dual in nature, made up of both informal and formal sectors (Brady & Mohanty, 2013). 81.4 percent of respondents involved in trade prior to joining the social

enterprise said that they operated their trade informally. Therefore, the informal sector is still a large part of the market in Nairobi. It was found during the interviews that the market is dynamic in nature. It is subject to economic cycles and the political climate in the country. This is supported by the UNDP (2017), who state that recent political upheavals in Kenya have had a negative impact on the nation's economy.

Respondents were asked about the market challenges that hindered their market access, prior to joining the social enterprise. 18.92 percent stated that they faced harassment from the city council due to the fact that they operated informally. 16.22 percent stated that they faced too much competition, a fact confirmed by Ngugi, Gitau & Nyoro (2007) who state that artisans and traders are forced to compete with other traders selling homogenous goods, as well as larger firms. 13.51 percent stated that they did not have adequate capital 10.81 percent earned low profit and a further 10.81 percent said that they lacked the necessary skills or market knowledge. In addition, 8.11 percent mentioned high standards of quality while another 8.11 percent stated that the costs of operation were high. 5.41 percent lacked a business plan, 5.41 percent had to deal with unreliable customers, and 2.70 percent were unable to travel so as to access new markets.

Moreover, it was observed that artisans and traders do not operate like agricultural producers who form cooperatives to access markets and enjoy economies of scale. Instead, they operate on an individual basis and therefore have limited market access, as they lack the capital and knowledge to penetrate new markets.

5.4.1. Impact of Social Enterprises on Market access

Social enterprises increase market access through the provision of inputs, financial services, technical advice or training, and marketing services. Financial support helps producers sustain their production whereas market information and advice helps them understand the complexities surrounding market price and demand (Sodhi & Tang, 2011). Additionally, marketing services aid in the scaling of markets. However, the impact of these efforts are often impeded by factors such as illiteracy which limits the absorption of market information and technical advice (Smith & Darko, 2014).

When asked about their market access, 88.24 percent of respondents had greater access to markets since they joined the social enterprise, whereas 11.76 percent did not (see Appendix H). Respondents who replied in the affirmative were then asked to identify which intervention

provided by the social enterprise led to their increased market access. The aggregate responses are represented in Figure 6 below.

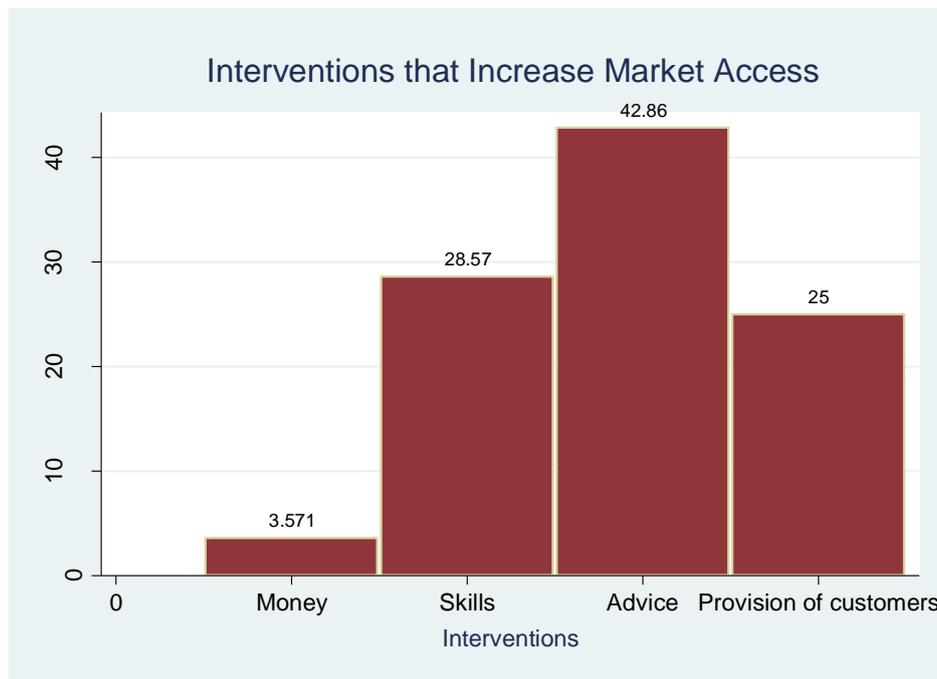


Figure 6: Interventions that Increase Market Access among Beneficiaries

42.86 percent of respondents felt that this was due to the market advice given by the social enterprise. This included knowledge on the market, as well as advice on how to pitch their businesses and design business models. This is confirmed by Sodhi & Tang (2011) who state that by providing market knowledge, social enterprises greatly improve access to markets for their beneficiaries. Additionally, 28.57 percent felt that the skills provided to them by the social enterprise increased their market access while 25 percent felt that it was the direct access to customers that caused this increase. Therefore, the most effective means by which social enterprises increase market access of their beneficiaries is by offering advice and training. Providing direct access to customers also increases market access, as it effectively cuts out middlemen.

It is often argued that lack of capital is a barrier to market access (Chamberlin & Jayne, 2013). In fact, 13.51 percent of respondents stated that capital was the main market barrier. Therefore, it can be assumed that by providing beneficiaries with money that their market access will improve. However, as is evident in the graph above, the provision of financing is less effective in doing so. Only, 3.571 percent felt that the provision of money in the form of loans or stipends increased their market access. This was due to the fact that many beneficiaries felt that they

did not receive enough money to effectively access markets, as evidenced during a site visit. Here, beneficiaries complained that they lacked enough capital to travel outside of Nairobi, so as to sell their products in new markets. This lack of access to physical markets is a common challenge that faces Kenyan traders (Kiveu & Ofafa, 2013). Therefore, social enterprises aiming to use financing to increase access to physical markets must first consult with their beneficiaries to map out the actual costs involved in doing so.

The next relevant question in the study was the effect of increased market access on incomes of beneficiaries. In order to determine this, a cross tabulation was performed.

Change in Market access	Change in income	
	No Increased Income (%)	Increase in Income (%)
No Increase in Market Access	50.00	50.00
Increase in Market Access	24.14	75.86

Table 3: The Effect of Increased Market Access on Incomes

As can be seen in Table 3, 75.85 percent of those with increased market access enjoyed increased incomes, as compared to 50 percent of those who had no increase in market access but whose income still increased. In order to determine the significance of this, a Phi correlation test was done, based on the alternative hypothesis that an increase in market access leads to an increase in income. This produced a weak correlation of 0.1452 with a p-value of 0.419, thereby indicating that there is no significant relationship between market access and income. Thus the alternative hypothesis was rejected. This result is in contrast to the argument posed by Sodhi & Tang (2011), who state that market access is a means by which incomes can be increased.

5.4.2. Impact of Market Platforms on Market Access

Traders use different market channels to sell their goods, either alone or as a combination of platforms. These range from formal structures such as permanent stalls in a market place, to informal channels such as hawking or the use of temporary stalls. An additional market channel that is worthy of note is that of online platforms. Online market platforms have increased in popularity due to the spread of technology. Informal market platforms such as temporary stalls pose challenges such as the risk of confiscation of goods or arrest by the city council (Njaya, 2014). This results in limited market access as they are often evicted and are thus unable to sell

their goods in a consistent manner and build individual market presence. This is in contrast to traders who operate in formal structures in designated market areas.

Respondents who were engaged in trade were asked about the market platforms that they used to sell their products prior to joining the social enterprise. 25 percent of respondents would sell their products by hawking, or in a temporary structure. 13.89 percent of respondents would sell their products online, whereas 16.67 percent sold them at home. 8.33 percent had a permanent shop, 5.56 would sell in the market, and yet another 5.56 percent sold their goods through a middleman. Respondents were then asked to state which market platforms they used after joining the social enterprise, and the results were compared with the market platforms used prior to joining the social enterprise. These can be found in Table 4 below.

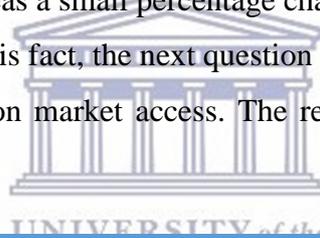
Current Marketing Platform							
Prior Marketing Platform	Online (%)	Temporary Stall (%)	Hawking (%)	Permanent Shop (%)	Home (%)	Visiting Schools (%)	Table Banking (%)
Online (%)	60.00	0.00	0.00	20.00	0.00	20.00	0.00
Temporary Stall (%)	0.00	66.67	11.11	11.11	0.00	0.00	11.11
Hawking (%)	11.11	0.00	88.89	0.00	0.00	0.00	0.00
Permanent Shop (%)	0.00	0.00	33.33	66.67	0.00	0.00	0.00
Home (%)	16.67	0.00	0.00	0.00	83.33	0.00	0.00
Market (%)	0.00	100.00	0.00	0.00	0.00	0.00	0.00
Middlemen (%)	50.00	0.00	0.00	50.00	0.00	0.00	0.00

Table 4: Changes in Marketing Platforms before and after Joining the Social Enterprise

After joining the social enterprise, 60 percent of those who had sold their businesses online, continued doing so, whereas 20 percent began selling their goods in permanent shops, and

another 20 percent began to sell their goods through school visits. Of the respondents who would sell their goods in a temporary structure, 66.67 percent continued to do so, while 11.11 percent turned to hawking, 11.11 percent began using permanent structures, and 11.11 percent began trading through table banking groups. 11.11 percent of previous hawkers began selling their goods online, whereas 88.89 percent continued to sell their goods through hawking. 66.67 percent of those with permanent shops prior to joining the social enterprise, continued to do so, whereas 33.33 percent began to sell their goods through hawking. 83.33 percent of those who sold their goods at home continued doing so, whereas 16.67 percent began trading their products online. 100 percent of all traders who sold their goods in the market shifted to using temporary structures in their trade. Lastly, 50 percent of those who sold their goods through middlemen began selling their goods online, whereas the other 50 percent sold their goods through permanent structures.

Therefore, majority of beneficiaries tend to use the same type of platform they used before joining the social enterprise, whereas a small percentage change the type of platform that they use to sell their goods. Based on this fact, the next question to be answered, therefore, was the effect of these market platforms on market access. The results are represented in the table below.



Market Access		
Market Platform	Decreased market access (%)	Increased market access (%)
Online	20.00	80.00
Temporary Stall	0.00	100.00
Hawking	9.09	90.91
Permanent shop	0.00	100.00
Home	0.00	100.00
Visiting schools	0.00	100.00

Table 5: The Effect of Market Platforms on Market Access

As seen in the table above, 100 percent of all those who sold through temporary stalls, permanent shops, at home and through school visits, reported greater market access. Additionally, 90.91 percent of those who sold through hawking, and 80 percent of those who sold online also experienced greater market access. In order to understand the statistical significance of these results, a Phi correlation test was used. This was based on the alternative hypothesis that one's choice of market platform significantly affected the ease with which one

could access the market, based on the argument posed by Markelova, et al. (2009). To the contrary, this produced a weak coefficient of 0.2975, and a p-value of 0.845, thereby indicating that there was no significant relationship between market access and the market platforms used. This is possibly due to the fact that all of the platforms studied above saw an increase in market access, thereby indicating that traders are able to access goods regardless of the market platforms they use. Thus, social enterprises in Nairobi manage to increase market access for their beneficiaries, with the most effective interventions being the provision of advice and skills. However, market access is not dependent on the type of market platform that they used.

5.5. Training Structures in Nairobi

The Danish Trade Council for International Development and Cooperation (2016) found that training in Kenya tends to lean towards formal education. However, it was found through interviews with beneficiaries, that there are two education options available in Nairobi, depending on one's profession of choice. Individuals are either expected to join a formal learning institution or learn their trade on the job. The latter form of training is common within the informal sector. Despite these opportunities, however, there still remains a large skills gap. Formal education is out of reach of many, as it requires funds that are inaccessible to low income groups.

This is corroborated in the study, as only 13.04 percent of respondents completed primary education, and only 60.87 percent reached secondary education. Further to this, there is evidence of gender disparity within the education system in Nairobi. 61.54 percent of respondents who reached secondary education were male, as compared to only 38.46 percent of women. Therefore, several people are excluded from the formal labor market, especially women, as they lack the qualifications required to get a job (Muiya, 2014). Those with low education levels are more likely to join the informal sector under apprenticeships. This is confirmed by the fact that 100 percent of respondents who only completed primary education, and 81.82 percent of those who reached secondary education joined the informal sector. However, it was revealed during interviews with social entrepreneurs that there is also a skills gap in informal industries, such as artisanship, between what is produced and what the market demands.

5.5.1. The impact of social enterprises on training structures

Many social enterprises, particularly those involved in work integration work to bridge the gap between training and employment. That is, they offer better training than that which is offered through traditional forms and education and increase the employability of marginalized groups (Spear & Bidet, 2005). These trainings are often offered on topics such as organizational and professional skills (Defourny & Nyssens, 2010). This was confirmed in the study as all of the social enterprises in the study offered either formal or informal training to their beneficiaries. 96 percent of all respondents had attended training within the social enterprise. Of these training sessions, 56.52 percent of respondents attended formal training sessions while 41.3 percent attended informal training sessions. 2.17 percent attended both formal and informal training (see Appendix I).

These training sessions were on a variety of subjects. These were determined both by the social enterprise and the beneficiaries themselves. In all of the social enterprises, beneficiaries were consulted on what skills they wished to be trained in. These included financial or savings training, business management, customer service, sales, ICT, entrepreneurship, tour service, quality training and production. Respondents were asked about the impact that the training has had on their lives. Their responses are represented below in Figure 7.

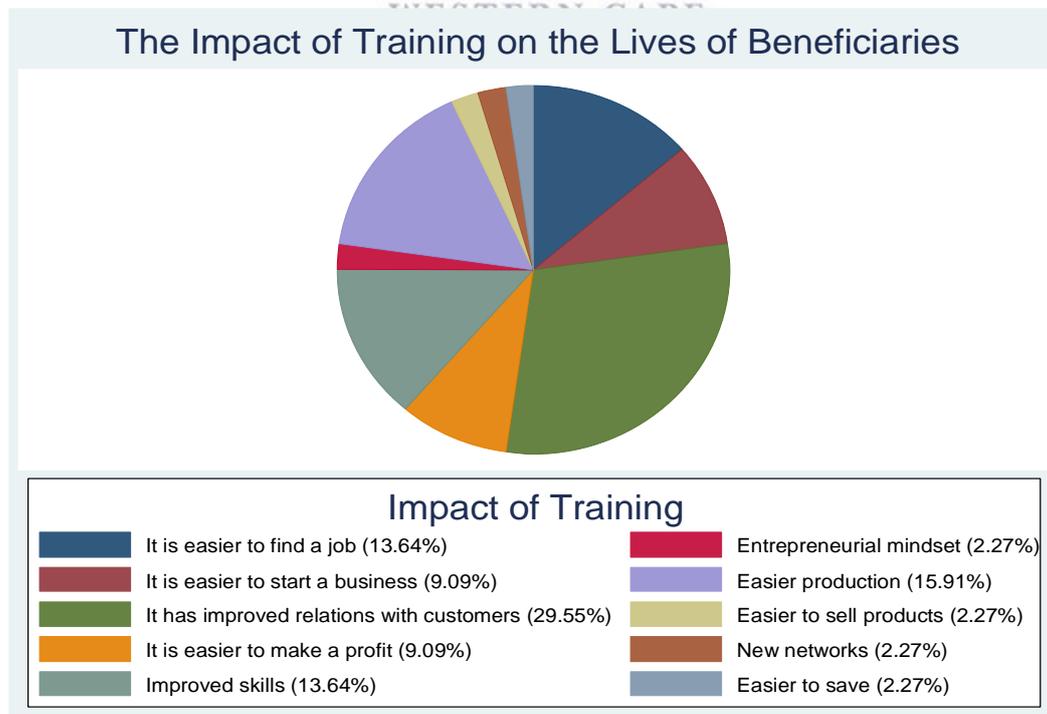


Figure 7: The Impact of Training on the Lives of Beneficiaries

29.55 percent of respondents felt that training had improved their relations with customers, whereas 15.91 percent reported that it was now easier to produce high quality goods. 13.64 percent developed greater skills in their area of interest, while another 13.64 percent felt that it was now easier to get a job. 9.09 percent thought it made it easier to make a profit and an additional 9.09 percent felt it made it easier to start a business. 2.27 percent felt that it provided them with an entrepreneurial mind set and 2.27 percent said that it made it easier to sell products. An additional, 2.27 percent said it made it easier for them to save and another 2.27 percent stated that it provided them with new networks.

Thus social enterprises give beneficiaries the skills and experience that they require to improve customer relations, produce goods or gain employment (Ho & Chan, 2010). Training also assists them in starting and scaling their businesses. It was also discovered through interviews that practical training provided beneficiaries in fields such as web design or artisanship with a body of work or repertoire. These were then used in lieu of formal qualifications when seeking a job. Thus by enhancing the general-dispositional structures of beneficiaries, that is their skill set, social enterprises are able to shape the external labor structures which dictate that one must first have formal qualifications in order to get a job. It is in this case, therefore, that the external structure (that is, the social enterprise), is able to influence the internal structures (the skill sets of beneficiaries), to influence the overall external employment structure. Thus, it is clear that structures create and influence other structures (Sewell, 1992).

5.5.2. Impact of training on income

Training can also influence the income levels of beneficiaries. In order to determine this, a cross tabulation was done. This produced Table 6 below.

Training	Income Group			
	Less than Ksh. 10,000 (%)	Between Ksh.10,000- 25,000 (%)	Ksh.30,000 or more (%)	Inconsistent Income (%)
Did not Receive Training	50.00	0.00	0.00	50.00
Received Training	48.78	19.51	12.20	19.51

Table 6: The Effect of Training on Income Levels of Beneficiaries

Those who received training had slightly better incomes than those who did not. 19.51 percent of those who were trained earned between Ksh. 10,000 and Ksh. 25,000, as compared to 0

percent of those who did not receive training. Additionally, 12.20 percent of those who had been trained earned Ksh. 30,000 or more, in contrast to 0 percent of those who did not receive any training. Moreover, those without training tended to have more inconsistent incomes than those who had been trained. However, it is important to note that 48.78 percent of those who received training earned less than minimum wage, as compared to 50 percent of those who did not receive training.

In order to understand the statistical significance of this, a Fisher's exact test was done, based on the alternative hypothesis that training results in higher incomes. This produced a p-value of 0.687, thereby indicating that there was no statistically significant relationship between the two. This is in tandem with Eade's (1997) argument that training does not necessarily improve the income of marginalised groups. Therefore, the next question was whether certain fields of training lead to beneficiaries earning above minimum wage. Thus, a cross tabulation was done.



Subject of Training	Income Group			
	Less than Ksh. 10,000 (%)	Between Ksh.10,000- 25,000 (%)	Ksh.30,000 or more (%)	Inconsistent Income (%)
Financial training (savings)	100.00	0.00	0.00	0.00
Business management	75.00	25.00	0.00	0.00
Customer service	50.00	25.00	25.00	0.00
Sales	63.64	27.27	0.00	9.09
ICT	71.43	28.57	0.00	0.00
Entrepreneurship	0.00	0.00	100.00	0.00
Tour Services	100.00	0.00	0.00	0.00
Quality training	0.00	0.00	40.00	60.00
Production	0.00	0.00	20.00	80.00

Table 7: The Effect of Different Subjects of Training on Income Levels

As is evident in Table 7, 100 percent of those who received entrepreneurship training had incomes of Ksh.30,000 or more. This was followed by 40 percent of those who studied quality training, 25 percent of those who studied customer service and 20 percent of those who studied production. This is in contrast to 100 percent of those who studied financial training, 100 percent of those who studied tour services, 75 percent of those who received business management training and 71.43 percent of those who studied ICT, who all earned below minimum wage.

A Phi correlation test was done, based on the alternative hypothesis that the subject of training significantly impacts income levels. This produced a moderate correlation of 0.3592 and a p-

value of 0.008, thereby indicating that there was a significant relationship between the two. Thus, the alternative hypothesis was accepted. This means that the subject of training can significantly impact the income levels of beneficiaries. As Muiya (2014) confirms, an appropriate education design that is relevant to the labor market is required to adequately impact the livelihoods of individuals. It is therefore accurate to state that simply providing beneficiaries with training is not guaranteed to raise beneficiaries' income above minimum wage. Instead, it is the field in which they receive training that impacts their income levels.

It is also important to note that 80 percent of those who received training on production reported inconsistent incomes, as well as 60 percent of those who received quality training. This confirms the earlier sentiment that while social enterprises may increase the livelihoods of their beneficiaries, it is imperative that they find a means with which to stabilize these incomes.

5.6. Formalization Structures in Nairobi

During the study, formalization was defined as the use of business licenses and registration. It was then discovered through interviews that there are two types of business licenses that may be required by traders. The first is a business license provided by the city council. This allows traders to operate within the city and protects them from arrest. The second type of license is a local license. This is only required by traders who operate in hawkers' markets around Nairobi. It allows them to set up either a temporary or permanent shop within the market. However, as it cannot be used in lieu of a business license, it does not protect traders from harassment from the city council.

The next step in the study, therefore, was to look at how individuals in Nairobi's labor market view the formalization process. This is based on the argument posed by Chen (2005) who states that different stakeholders view formalization in different ways. Respondents were first asked whether there was any advantage to formalizing their operations. 94.74 percent stated that there are various advantages to the process whereas 5.26 percent felt that there were none. Therefore, it is fair to say that the overall perspective on formalization in Nairobi, is that it is a useful and worthy endeavour.

Respondents who replied in the affirmative were then asked to state what these advantages were. 33.33 percent said that formalization resulted in less harassment from city council officials, whereas 11.11 percent stated that it gave them greater access to loans. A further 11.11 percent felt that formalization made it easier for their businesses to gain recognition, while

11.11 percent thought it made it easier for them to scale their businesses. An additional 11.11 percent stated that formalization protected one from copyright infringement, 11.11 percent said that it gave them greater market access, and lastly, another 11.11 percent said that it made the payment of NSSF and NHIF contributions easier.

However, despite the positive outlook on formalization, 81.4 percent of respondents who were engaged in trade stated that they did not have a business license before joining the social enterprise. This is confirmed by Atieno (2006), who states that most small scale traders in Nairobi operate informally. In order to determine why this was so, respondents were asked during interviews why they did not formalize. The reason given were the high costs involved in registering and obtaining a business license.

5.6.1. Impact of Social Enterprises on Formalization

None of the social enterprises involved in the study reported formalization as being one of their social goals. In fact, only two required their beneficiaries to use a business license. It was noted that they did so only out of necessity (so as to avoid their beneficiaries from being arrested), rather than due to a desire to formalize Nairobi's informal sector. Of the traders involved in the study, 81.4 percent did not have business licenses before they joined the social enterprise, whereas 18.6 percent did, as can be seen in Figure 8.

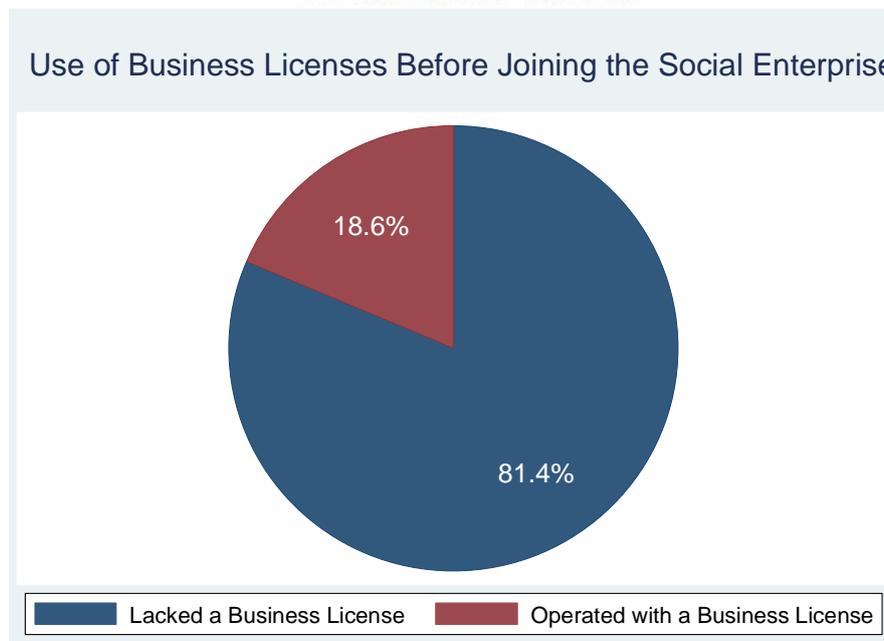


Figure 8: Use of Business Licenses before Joining the Social Enterprise

After joining the social enterprise, 45.45 percent of respondents operated with business licenses, whereas 54.55 percent did not. This is represented in Figure 9 below.

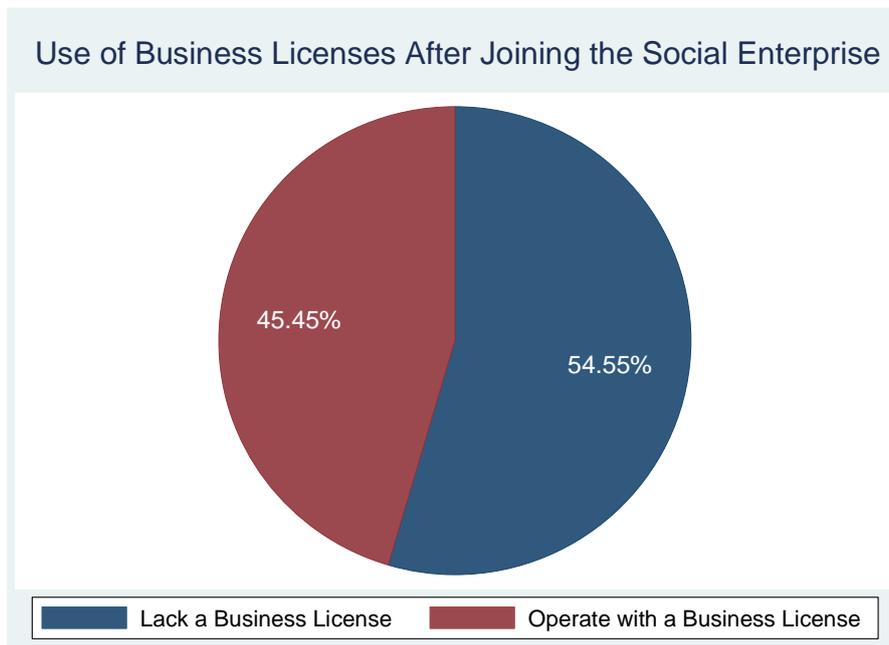


Figure 9: Use of Business Licenses after Joining the Social Enterprise

It is fair to assume that the increase in the use of business licenses is partly due to the regulations imposed by the social enterprises. However, the researcher tried to determine what else could be the cause of formalization.

One such possible factor was that of gender. 33.33 percent of female respondents had a business license before they joined the social enterprise, compared to 8.33 percent of male respondents. After joining the social enterprise, 44 percent of men operated with business licenses, as compared to 40 percent of women (see Table 8 below).

Before Joining the Social Enterprise		
Gender	Lacked a Business License (%)	Operated with a Business License (%)
Male	91.67	8.33
Female	66.67	33.33
After Joining the Social Enterprise		
Male	56.00	44.00
Female	60.00	40.00

Table 8: The Effect of Gender on Formalization

A Phi correlation test was done in order to determine whether there was a relationship between gender and formalization, based on the alternative hypothesis that women more likely to formalize than men, both before or after joining a social enterprise. For the data related to formalization before joining a social enterprise, the test produced a moderately weak positive correlation of 0.3169 with a p-value of 0.0408. This showed that there was a statistically significant relationship between the two, and that prior to joining a social enterprise, women were more likely to engage in the formal sector than men. This is in contrast to the study brought forward by Atieno (2006), who states that women are more likely to be involved in the informal sector than men.

For the data related to after beneficiaries join a social enterprise, the test produced a very weak positive correlation of 0.0392, and a p-value of 0.085. This indicates that there is no significant relationship between gender and formalization once one has joined a social enterprise. This is likely because within the social enterprise, both men and women are subject to the same regulations (or lack thereof) surrounding formalization.

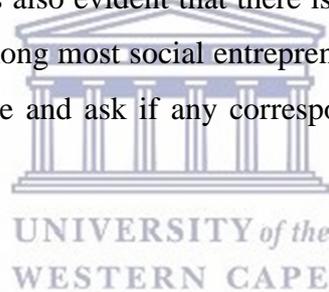
The data above indicates that when social enterprises require their beneficiaries to operate with licenses, then they formalize part of the labor market. However, it was determined during interviews that after leaving the social enterprise, most beneficiaries go back to the informal sector. This is because the informal sector is seen as being more advantageous (De Mel, McKenzie and Woodruff, 2013). Therefore, there seems to be no inherent desire among beneficiaries to leave the informal sector in favour of the formal. This is despite the fact that several beneficiaries are aware of the disadvantages of operating without a business license. Thus, social enterprises have limited impact on formalization once their beneficiaries are out of their programmes.

5.7. Fair Trade Ideals in Nairobi

The fair trade climate in Nairobi is still in its infancy. While there exist fair trade organizations, the fair trade model is not widespread. Similarly, there is little to no uptake from the government regarding fair trade as a policy. However, there are elements of fair trade ideals enshrined in different national policy documents. Policy regarding fair wages can be found in the nation's Regulation of Wages Order, however, it is important to note that this regulation is only applicable to those in the formal sector (Danish Trade Council for International Development and Cooperation, 2016; Mwangi, et al., 2017).

In the same vein, the Employment Act champions equal opportunities in employment and goes further to state that affirmative action measures do not constitute discrimination, but rather promote equality in the workplace (Government of Kenya, 2012). Additionally, there is the presence of ideals related to environmentally friendly trade, albeit in the international treaties that Kenya is a signatory to. These include the Vienna Convention and the United Nations Framework Convention on Climate Change (UNFCCC). These regulate the impact of activities on the environment. Lastly, the labor market in Nairobi is also subject to regulations regarding working conditions. Article 41 of the Kenyan Constitution focuses on labor rights, stating that all workers must have reasonable working conditions (Republic of Kenya, 2012).

However, not all fair trade ideals are represented in law. Issues of accountability of firms to their customers and the community are not found in Kenyan policy. In the same vein, it was discovered during the interviews that the action of offering financial and technical assistance to marginalized groups is perceived to be a role for the civil or non-profit sector, rather than in the labor market in general. It was also evident that there is little to no knowledge regarding what fair trade ideals are, even among most social entrepreneurs. The researcher often had to list out what fair trade ideals were and ask if any corresponded with the aim of the social enterprise.



5.7.1. Impact of social enterprises on fair trade

Some social enterprises act as fair trade organizations that aim to ensure producers are fairly treated and compensated. This has led to the spread of the fair trade model. Such organizations modify the current economic market and limit its influence on the supply and distribution of goods (Ridley-Duff & Bull, 2015). They also work to eliminate intermediaries in the supply chain. This is in line with the fair trade belief that functions that are performed by intermediaries, such as processing, are done in an exploitative manner (Smith & Darko, 2014).

However, the impact of such social enterprises on fair trade is limited by three main factors. Firstly, the high quality standards of Western fair trade markets add to the entry costs of social enterprises. This therefore limits the geographical scope of such organizations, as they cannot afford to export their goods to the West. Secondly, there are high overhead costs involved in ensuring that fair trade principles are upheld. It is an expensive endeavor to provide producers with fair and constant wages, for example. Therefore, some social enterprises may leave some

of the costly fair trade principles out of their operations. Lastly, the spread of fair trade ideals by social enterprises is limited by the influx of multinational corporations. These use their influence and lobbying power to erode fair trade ideals so as to earn greater profits (Ridley-Duff & Bull, 2015).

In the interviews conducted, social entrepreneurs and senior managers were asked about the fair trade ideals within their social enterprises. Of the five social enterprises, only one identified itself as consciously striving towards fair trade ideals. The other four had some elements of fair trade, as defined by the FLO. These included equal opportunities for marginalized groups. Women, the youth and persons from low income and educational backgrounds were all integrated within the enterprises. Additionally, there was the use of environmentally friendly practices, such as selling clean energy products to low income communities. Accountability was also practiced, as the social enterprises made their processes clear and transparent to their beneficiaries. Moreover, efforts were made to ensure that beneficiaries operated in safe working conditions and were given opportunities to invest in the products they sell. This often involved beneficiaries putting in money in order to procure more goods to sell. Additionally, they were offered capacity building and training. The result of these ideals is improved and working conditions for workers and higher standards of living in the surrounding community (Redfern and Snedker, 2002). However, while beneficiaries were compensated fairly, it was admitted that the social enterprises struggled to provide constant wages, a fact that was evident in the analysis related to livelihoods.

The fifth social enterprise embodied all fair trade ideals and made constant efforts to provide their beneficiaries with constant and fair wages. They also offered their beneficiaries asset financing options where they were given high value inputs which were to be paid off in installments. As a fair trade organization, they also required their self-employed beneficiaries to follow fair trade regulations as well, such as constant and fair wages for their employees. However, it was not clear whether beneficiaries would continue to uphold these values, if the social enterprise were to abolish the regulations.

Therefore, social enterprises in Nairobi strive towards maintaining fair trade ideals, but may not actually identify themselves as fair trade organizations or understand what fair trade constitutes. They also have limited impact on fair trade ideals, especially with regards to constant and fair wages. It is only in fair trade organizations that such ideals are spread to beneficiaries. In addition, it is unclear whether fair trade ideals have been taken up by

beneficiaries simply as a result of regulations imposed by the social enterprise, or whether it is due to a belief among beneficiaries in the fair trade model.

5.8. Attitudes related to the labor market in Nairobi

During the interviews, there were differing opinions among beneficiaries and senior managers on the role of women in the workplace. One male beneficiary felt that due to the prevalence of affirmative action campaigns in Nairobi, women were adequately empowered and were therefore more likely to find employment than men. However, the response among women was different. It was stated that several female beneficiaries had lacked confidence in their abilities, prior to joining the social enterprises. This meant that they limited themselves from fully integrating into the labor structure, due to societal pressures. These pressures were then absorbed into the general dispositional structures of beneficiaries, and became their own opinions. For instance, one senior manager stated that they often had to convince teenage mothers to join their social enterprise, as they often felt incapable and unworthy to join the labor market due to their unwanted pregnancies. This is confirmed by De Giusti and Kambhampati (2016), who state that socio-cultural norms restrict the inclusion of women in the Kenyan labor market.

The attitudes related to persons with disabilities in the labor market were positive. Several beneficiaries stated that there is no inherent bias against persons with disabilities in the workplace, as long as they are able to physically cope with the rigors of work and have a positive attitude towards their physical condition. It was also found that the onus is often expected to be on persons with disabilities to apply for jobs.

On the other hand, attitudes towards people who have no qualifications were negative. Prior to joining the social enterprises, beneficiaries felt that they could not get any gainful employment as they lacked the formal education that their peers had. Thus, they felt discouraged from applying for jobs. Some stated that they even resorted to illegal activities, such as stealing, in order to survive.

5.8.1. Impact of Social Enterprises on Attitudes

Social enterprises impact attitudes in two ways, that is, by fostering trust, and by providing training or engagement in a productive activity. It was observed that beneficiaries were often involved in designing their training or the service delivery in the social enterprise. This created a feeling of group ownership and trust. Trust is a part of the general-dispositional structures (Stones, 2005) and was particularly evident during a site visit to two of the social enterprises. The researcher noted that beneficiaries often referred to the social enterprises as partners for growth, rather than organizations that had self-seeking interests.

Trust is necessary for partnership and cooperation (Mair & Marti, 2006). Without it, social enterprises cannot hope to work effectively with their beneficiaries. This was also evident in a site visit to a different social enterprise. The beneficiaries tended to complain a lot and felt that their opinions were not being heard by the staff. Thus, they resisted any of the ideas brought forth by staff members. Without this trust, it becomes difficult to influence the general-dispositional structures of beneficiaries. This is emphasized by Callinicos (2004), who stated that without authoritative power, then one's transformative capacity is limited. Therefore, social enterprises that cannot build trust, fail to influence their beneficiaries and are hindered in changing the very structures that they aim to change.

The second means by which social enterprises influence their beneficiaries is through interaction during training and engagement in productive activities. Beneficiaries who were interviewed, especially the women and the youth, reported that their self-confidence began to rise through engagement with the social enterprise, as they saw that they had valuable contributions to society through their work. It was also noted that several beneficiaries expressed new confidence in speaking in English, which they did not have, prior to joining the social enterprise.

This renewed confidence also had the unintended outcome of a more positive attitude towards work. One youth who used to steal prior to joining the social enterprise, stated that he no longer felt the urge to steal. Rather, he was motivated to work as it assured him of a better life. This is especially relevant as Hällsten, Edling and Rydgren (2017) state that when individuals see no hope of accessing employment, they do not bother applying for jobs. However, as is evident, social enterprises provide beneficiaries with the idea that they have a role in the labor market.

It was also determined that social enterprises change the attitudes that beneficiaries feel towards formal qualifications. As opposed to the prior view that qualifications are necessary to get a job, beneficiaries stated that by showing their experience or repertoire to an employer, then they can get employed.

Unfortunately, none of the social enterprises involved in the study worked explicitly with persons with disabilities. Additionally, the researcher did not see any beneficiary who happened to have a disability during the field visits. This effectively meant that the impact of social enterprises on attitudes surrounding persons with disabilities could not be determined. Moreover, while attitudinal shifts among beneficiaries was easy to determine, it was difficult to analyze these among the surrounding communities, due to the fact that other external factors come into play in influencing the attitudes of communities.

5.9. Chapter Summary

Social enterprises in Nairobi have a significant impact on the livelihoods of beneficiaries. They increase beneficiaries' incomes by directly employing them, providing necessary skills for later employment or supporting them to start their own businesses. Social enterprises also increase beneficiaries' incomes by enabling them to sell goods which are in high demand. However, these increases in income are often either inadequate or inconsistent. While beneficiaries may earn more through their interaction with the social enterprise, many still earn less than minimum wage. This forces beneficiaries to diversify their livelihoods, over and above their activities within the social enterprise. Additionally, social enterprises fail to reduce the gender wage gap among their beneficiaries, particularly those who are involved in trade. This is due to the fact that male beneficiaries are more likely to scale their businesses than female beneficiaries.

These organizations increase market access among their beneficiaries by providing them with advice and training, as well as, direct access to customers. However, the provision of cash was not as in increasing market access. This was because beneficiaries often felt that the amounts given were inadequate. It was also found that social enterprises influence the choice of market platforms among their beneficiaries, although this does not impact their level of market access.

Social enterprises increase the level of training and skills among beneficiaries as they offer both formal and informal training. This has several impacts on the lives of beneficiaries, most

notably by helping them improve their relations with customers, produce high quality goods, improve their skills, gain employment, make a profit and start businesses. In addition, training aids those involved in fields such as artisanship with a repertoire and experience. Training also affects the income levels of beneficiaries. However, it is important to note that simply providing training does not impact income levels of beneficiaries, rather it is the subject of training that influences income levels. The most effective subjects of study for increasing income are entrepreneurship, quality training and customer service.

There is also evidence that social enterprises impact formalization among their beneficiaries, as the use of business licenses tends to increase after joining a social enterprise. This is because social enterprises require their beneficiaries to adhere to the regulations imposed by the law that require all trade activities to be registered. However, after leaving the social enterprise, most beneficiaries return to the informal sector as it still offers advantages to low income groups. Therefore, the impact on formalization is only significant while beneficiaries are participating in the social enterprise.

The researcher also found that social enterprises influence the attitudes of beneficiaries by fostering trust or by providing them with a productive activity such as training or employment. They help women and youth to build their self-confidence, as well as confidence in speaking in English. The result of this is a more positive outlook on their contribution to the labor market. Likewise, social enterprises shift perceptions among their beneficiaries about formal qualifications. Beneficiaries feel that even without a diploma or degree, they can still secure employment by showing their level of experience or body of work.

Lastly, social enterprises are not as effective in spreading fair trade ideals, largely due to the fact that majority of the social enterprises in Nairobi are not aware of what constitute fair trade, and therefore do not aim towards it. The single social enterprise in the study that ascribed to fair trade values did spread its ideals to its beneficiaries. However, it was unclear if beneficiaries adhere to fair trade ideals simply because they are required to or whether they do so because they believe in the fair trade model and would continue to practice fair trade if they were not required to by the organization.

Chapter 6: Conclusion and Recommendations

This study was done with the aim of analyzing the impact of social enterprises on the labor market in Nairobi. In light of this, a quantitative and qualitative research methodology was employed to assess this impact. The results of this study indicate that social enterprises have significant impact on increasing livelihoods, market access and training levels of beneficiaries. In the same vein, they influence the attitudes and formalization processes of beneficiaries while they are in the social enterprise. However, they have limited impact on fair trade ideals within Nairobi and on formalization processes of beneficiaries once they leave their programmes. This chapter provides the general conclusions, suggested areas for future research topics and recommendations related to this impact.

6.1. Summary of Findings

6.1.1. The Labor Market Structure in Nairobi

The labor market in Nairobi is one that is fraught with inequalities. Employers often require recruits to have formal qualifications such as a degree or diploma. However, the youth tend to have poor educational levels and are therefore unable to penetrate the formal market. Additionally, employers tend to hire recruits based on referrals. Therefore, one is required to have connections within a firm in order to get employment. However, low income groups tend to lack such connections and are thus excluded from the formal labor market.

The market structure is dynamic and constantly influenced by the country's economic and political cycles. Market access among small scale traders is limited as they lack the market knowledge that they need to adequately respond to market changes. In addition, they lack adequate capital to enter new markets and often operate on an individual basis. Therefore, they do not benefit from economies of scale.

Training structures in Nairobi are made up of either formal or practical training, which is common in the informal sector. However, many people from low income backgrounds cannot afford formal education, and are more likely to join the informal sector under apprenticeships. On the other hand, there is also a skills gap in informal industries between market demands and what is actually produced.

The formalization structures in Nairobi involve the use of either a business or local license. However, most traders operate informally and are therefore always at risk of harassment or arrest by city council officials. This lack of formalization can be attributed to the costs involved in acquiring a business license. It was also found that prior to joining a social enterprise, women are more likely to formalize their businesses, than men.

Fair trade in Nairobi is still a relatively new concept, and as a result, not many people understand the model. While organizations tend to strive to achieve fair trade ideals such as ensuring safe working conditions and environmentally friendly practices, they are not often aware that these are classified as fair trade ideals. Lastly, the attitudinal structures in the labor market in Nairobi vary. Women and the youth lack confidence in their abilities in the workplace. On the other hand, attitudes about persons with disabilities in the labor market are positive. They were viewed as having a role to play in the workplace. Conversely, those with low educational qualifications felt discouraged by the prospect of applying for jobs, as they did not believe they would be hired.



6.1.2. Impact of Social Enterprises on the Labor Market Structure

Social enterprises impact the labor market structure, firstly by changing the employment statuses of their beneficiaries. They reintegrate them into the labor market and educational system. This is done by providing them with employment, support to start a business or training. Social enterprises also provide marginalized groups with opportunities to grow their social capital. Beneficiaries are able to bond amongst themselves and can even refer their relatives for recruitment into the social enterprise. They also benefit from mentorship from senior managers.

Additionally, social enterprises increase the incomes of their beneficiaries, firstly by employing them, and secondly by encouraging them to sell goods that are high in demand. The goods that are most effective in increasing incomes include second hand clothing, jewellery, cookstoves and solar lamps. However, social enterprises fail to maintain wage equality between men and women. Female beneficiaries report lower incomes than their male counterparts. Moreover, over a quarter of beneficiaries had to contend with inconsistent incomes and nearly half earned below minimum wage. This therefore forced beneficiaries to diversify their livelihoods outside of the social enterprise, so as to supplement their incomes.

Social enterprises increase market access among their beneficiaries, through a variety of different interventions. The most effective means are by providing beneficiaries with market advice and skills. Linking beneficiaries to customers also has a positive impact on market access. However, it was found that the provision of capital to beneficiaries, is not as effective in increasing access to physical markets, largely because the amount of capital provided was often insufficient. Social enterprises also have limited influence over the market platforms that their beneficiaries choose. On the other hand, it was found that the choice of market platform does not increase market access among beneficiaries.

There are also attempts by social enterprises to reduce the skills gap in Nairobi. This is done through the provision of training in a variety of subjects. The largest value that training provides is that it helps beneficiaries improve their relations with customers. It also helps in producing high quality goods and develops the skills of beneficiaries. It was also found that training increases the chances of beneficiaries getting a job. This is because it helps them develop a repertoire of their work, which they can then use to get employment, in lieu of a diploma. However, training does not guarantee an increase in income. Rather, training in subjects such as entrepreneurship, quality and customer service positively impacts income levels. Conversely, training in these subjects does not necessarily lead to stable incomes.

It was also found that engagement in a social enterprise is likely to lead to formalization. This is as a result of the regulations imposed by the social enterprise on its beneficiaries. However, this trend is short-lived as many beneficiaries tend to return to the informal sector after leaving the social enterprise.

Social enterprises strive towards achieving fair trade ideals, but many are not aware of the fact that these values are considered as fair trade. Additionally, while they aim to uphold all the ideals, they have limited success in ensuring constant wages for their beneficiaries. On the other hand, among the social enterprise that identify itself as a fair trade organization, fair trade values were passed on to beneficiaries, as part of the enterprise's regulations. However, it is not clear if beneficiaries would continue to uphold these ideals if they were not required to.

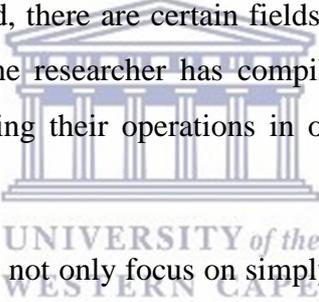
Lastly, social enterprises impacted attitudes among beneficiaries through trust, which was fostered by including beneficiaries in the design of the social enterprise. Additionally, social enterprises changed beneficiaries' attitudes by training them and enabling them to see the valuable contribution that they have towards society. This built their confidence and sparked a

positive attitude towards work and made them hopeful to get employment without the need for qualifications. However, the study was unable to determine the impact of social enterprises on attitudes about persons with disabilities in the workplace. Similarly, it was unable to determine the attitudinal shifts in the greater community. These are therefore possible areas for future study.

In conclusion, social enterprises have significant impact on the labor market trends related to livelihoods, market access, training and attitudes. On the other hand, they face challenges in stabilizing incomes and reducing gender wage inequality among their beneficiaries. In addition, the use of financing to increase market access is somewhat ineffective. Moreover, social enterprises have limited impact with regards to formalization and fair trade.

6.2. Recommendations

Social enterprises have several positive impacts on the labor market structure in Nairobi. However, as the study has revealed, there are certain fields in which social enterprises have limited impact. In light of this, the researcher has compiled recommendations that social entrepreneurs should consider during their operations in order to increase their impact on beneficiaries.

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- Social enterprises must also not only focus on simply increasing incomes, but also on raising them above minimum wage and stabilizing them.
 - Additionally, they should focus on reducing the gender wage gap among beneficiaries. They can do so by focusing their training and financial support towards enabling female beneficiaries to scale their businesses once they have been established.
 - Social enterprises should consider redesigning their educational programs, possibly including entrepreneurship, quality and customer training. This is because these training programmes are more effective than all the other fields of training in providing high incomes.
 - In the same vein, where social enterprises wish to raise their beneficiaries' incomes above minimum wage, consideration should be given towards enabling beneficiaries to sell goods that are high in demand, such as jewellery or cookstoves.
 - Social enterprises that wish finance beneficiaries' access to physical markets, must first consult with their beneficiaries and map out the actual costs involved. This will ensure that beneficiaries have adequate capital to penetrate new markets.

- Lastly, social enterprises that aim to change the attitudes towards the labor market towards the labor market, must first foster trust. This ensure uptake of positive attitudes among beneficiaries concerning employment or entrepreneurship.



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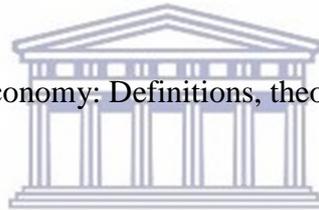
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APPENDICES

Appendix A: Questionnaire

Questionnaire

Name of Interviewer	
Interviewee Number	
Place of interview	
Date of interview	
Organization	
Age	
Gender	
Qualification	
Country of birth	

Background

There has been a rise in social entrepreneurship in Kenya, with a majority of such social enterprises operating in the nation's capital, Nairobi. Here, social entrepreneurs work to solve some of their community's most pressing issues through innovation. A common focus of such social enterprises is to alleviate unemployment among marginalised groups in society. These groups are often excluded from the labor market due to cultural attitudes, low levels of education or lack of market access. This problem has had far reaching effects, leading to high levels of poverty and low economic growth. The questions below will be administered to beneficiaries of social enterprises in Nairobi, Kenya, so as to identify the impact that social enterprises have on the labor market. Such impact can be related to market access, formalization of business practices, training and a change of attitudes.

Section A: Income and Employment Status

1. How much do you earn on average per month?
 Less than Ksh. 10,000 Between Ksh. 10,000 and Ksh. 25,000
 Ksh. 30,000 or more
2. Do you work outside of your activities with this social enterprise? Yes No

If so, give a reason why.

Your income is not enough to support your family

You want to gain more experience

Other_____

3. How long have you been with this social enterprise?

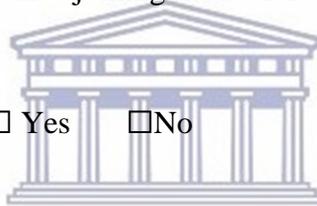
Less than one month 3-6 months 6 months- 1 year More than 1 year

4. Are you the main breadwinner of your family? Yes No

How many people are in your household?

5. Has your income increased since joining the social enterprise? Yes No

6. Have you worked before? Yes No



7. What was your employment status before joining this organization?

Employed full time Employed part time Self-Employed Retired

Student Unemployed

8. What is your employment status now?

Employed full time Employed part time Self-Employed Retired

Student Unemployed

Section B: Market access and formalization (only if respondent is a trader)

9. What type of goods do you sell?

Farm goods Clothing Second hand clothing

Curios/ Cultural items Jewellery Other_____

10. How did you sell your goods before joining the organization?
- Online Temporary Stall Hawking
- Permanent shop Home Other_____

11. How do you sell your goods now?
- Online Temporary Stall Hawking
- Permanent shop Home Other_____

12. Did you operate with a business license before joining the organization?
- Yes No

13. Does the organization provide you with a business license now?
- Yes No



If so, what is the advantage of it? *Tick all that apply.*

- Less harassment from city council Payment of NSSF and NHIF is easier
- Access to loans Other_____

If not, what is the disadvantage of not having a business license? *Tick all that apply.*

- Harassment from city council Payment of NSSF and NHIF is difficult
- No access to loans Other_____

14. Have your sales changed after joining the organization? Yes No

If so, how? They have increased They have decreased

15. Have your prices changed since joining the organization? Yes No

If so, how? They have increased They have decreased

16. Has your ease in accessing the market changed since joining the organization?

Yes No

If so, how? It has become easier It has become harder

17. What challenges did you face in selling your products before joining the organization?

Tick all that apply.

Harassment from city officials No capital

High standards of quality Low profit

High costs of operation

Too much competition Other _____

18. What challenges do you face in selling your products since joining the organization?

Tick all that apply.

Harassment from city officials No capital

High standards of quality Low profit

High costs of operation

Too much competition Other _____

19. Did you have employees before joining the organization? Yes No

If so, how many? Between 1-3 Between 4-9 More than 10

19. How many employees do you have now?

Between 1-3 Between 4-9 More than 10

It is easier to get a loan

Other_____

Thank you for taking your time to answer the questions



Appendix B: Proportion of Beneficiaries who Received Certification

Certification	Percentage (%)
Received No certification	12.90
Received Certification	87.10

Appendix C: Channels through which Beneficiaries Heard of Social Enterprise

Channel	Frequency	Percentage
Advertisement	11	23.91
Referral	20	43.48
Staff Member	11	23.91
Initiated with social entrepreneur	3	6.52
Online	1	2.17



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Appendix D: Income groups

Income Level	Frequency	Percentage
Less than Ksh. 10,000	21	48.84
Between Ksh. 10,000 & Ksh.25,000	8	18.60
Ksh. 30,000 or more	5	11.63
Inconsistent income	9	20.93

Appendix E: Change in Income

Change in Income	Frequency	Percentage
No Increase in Income	11	23.40
Increase in Income	36	76.60

Appendix F: The Impact of Gender on Minimum Wage Levels

Gender	Minimum Wage	
	Above Minimum Wage (%)	Below Minimum Wage (%)
Male	55.56	44.44
Female	6.67	93.33

Appendix G: Proportion of Beneficiaries with Diversified Income

Livelihood Diversification	Frequency	Percentage (%)
Does not Diversify Income	25	51.02
Diversifies Income	24	48.98

Appendix H: Level of Increased Market Access

Change in Market Access	Frequency	Percentage (%)
Decreased Market Access	2	6.25
Increased Market Access	30	93.75

Appendix I: Training in Social Enterprises

Training		
	Frequency	Percentage (%)
Received Training	2	4.00
Did not Receive Training	48	96.00
Type of Training		
Formal Training Only	26	56.52
Informal Training Only	19	41.30
Formal & Informal Training	1	2.17

