

The impact of social enterprise on labour market structure: a case study of social enterprises in Nairobi, Kenya.

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ABSTRACT

Understanding and explaining the relationship between social enterprise and labour market structure across the world remains a significant challenge and has raised intense scholarly debate. A number of suggestions have been offered on how social enterprises have the impact on labour market structure. In line with Giddens' (1984) theory structuration and conceptual framework, this empirical study sought to analyse the extent to which social enterprise has an impact on poverty and the inequalities of people living in Nairobi, Kenya. A mixed method of research was used in the study. The findings of the study indicate that social enterprises have significant impact on the labour market structures 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, their use of financing to increase market access is somewhat ineffective. Social enterprises also have limited impact with regards to formalization and fair trade.

Keywords: Agency, employment, impact, labour market, Nairobi, social enterprises, structuration.

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Introduction

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). In the 1980s, countries in Europe faced high levels of unemployment and rising social needs (Defourny & Nyssens, 2010a). In Belgium, France, Ireland and Germany, for instance, this led to the rise of a labour market programme that attempted to provide the unemployed with jobs, as part of active labour market policies. 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 labour market (Defourny & Borzaga, 2001). In the 1990s, work integration programmes also began to take hold in Asia, such as in Hong Kong, where there was a decline in the economy, and a shift in social welfare from welfare-to-work (Ho & Chan, 2010).

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 labour 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 beneficiaries 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). However, it is important to note that social enterprises do not necessarily create any impact on their beneficiaries. For instance, 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.

The focus of this paper now turns to social enterprises and the African labour market. 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, thereby resulting in a decrease in development funding. NGOs found themselves having to turn towards a social enterprise model that is, supporting their social activities through selling goods and activities. However, despite the need for social value and the high presence of social enterprises on the continent (Smith & Darko, 2014), there is very little research that has been done on social enterprise in African countries (Littlewood & Holt, 2015). This study therefore aims to fill the literary gap, and explores the impact that social enterprises have on labour market structures in Nairobi. 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. This is an important subject of study, as it can be used by social enterprises as a basis 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. In the following sections, this paper elaborates on background, conceptual/theoretical framework and analysis, and the methodology of the study. The final section provides conclusions.

Background and contextualization

In Kenya, social enterprises usually register as companies, not-for-profits that operate under the NGO Act of 1992, or 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 centres and accelerators (Smith & Darko, 2014).

Ndemo (2006) states that many faith based enterprises in Kenya can be considered social enterprises. These faith based enterprises enable individuals to set up and run businesses while others assist those who are stigmatized in society, such as ex-convicts and recovering drug addicts, by providing them with skills training, employment opportunities and rehabilitation and counselling schemes. 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. 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. The Fairtrade Labelling Organization defines requirements which classify an enterprise as being fair trade. These requirements state that umbrella fair trade organizations should maintain constant prices, ensure fair wages, environmentally friendly practices, accountability, and equal opportunities to marginalized groups, as well as opportunities for producers 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).

Literature on Kenyan social entrepreneurship focuses on the social entrepreneur and the impact that both external and internal structures have on social enterprises. For instance, Diochon and Ghore (2016) studied how social entrepreneurs create social enterprises in Kenya. They found that social entrepreneurs initiate social enterprises through a process that is both creative and unpredictable. On the other hand, Koitamet and Ndemo (2017) studied the impact that management, financial access, technology and entrepreneurial culture have on social enterprise performance in Kenya. Unfortunately, there is little existing empirical research on the impact of social enterprises on the labour market in Kenya.

Labour Market in Kenya

Kenya's labour 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 labour 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 start-up costs or technical skills. Additionally, the informal sector is not subject to regulations such as the Regulation of Wages Order, which outlines minimum wages for those in the formal labour market (Mwangi, et al., 2017). Despite these challenges, the informal sector continues to rise as evidenced by data released by the Kenya National Bureau of Statistics (2017: 74) which states that the informal sector was responsible for 89.7% of all job creation in 2016. The nation's labour market is also characterized by high unemployment rates (ILO, 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 labour market. Furthermore, they 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 (Danish Trade Council for International Development and Cooperation, 2016).

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). Moreover, the labour

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 due to the global competition posed by large foreign firms, which dominate local markets (Kiveu & Ofafa, 2013). Small scale producers and traders also lack the financial capacity and market knowledge necessary to penetrate local and international markets and increase the scope of their marketing. 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.

Social capital also plays a role on the Kenyan labour market. Montgomery (1991) states that many employers would rather hire individuals through referrals. 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 and the youth who do not hold connections with those in middle management, it becomes difficult to gain such information, as there are asymmetries in knowledge. 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). It is evident then, that the labour market in Kenya is unequal in structure.

Theoretical and conceptual framework

A number of scholars (Barbalet, 1985; Defourny & Nyssens, 2008; Giddens, 1984; Joas, 2009; Karp, 1986; Keizer, et al., 2016; Layder, 2012; Maas, 2013; Mair and Marti, 2006; Midgley & Conley, 2010; Pozzebon & Pinsonneault, 2005; Stones, 2005)

offered on how social enterprises have the impact on labour market structure. For example 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 made use of 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

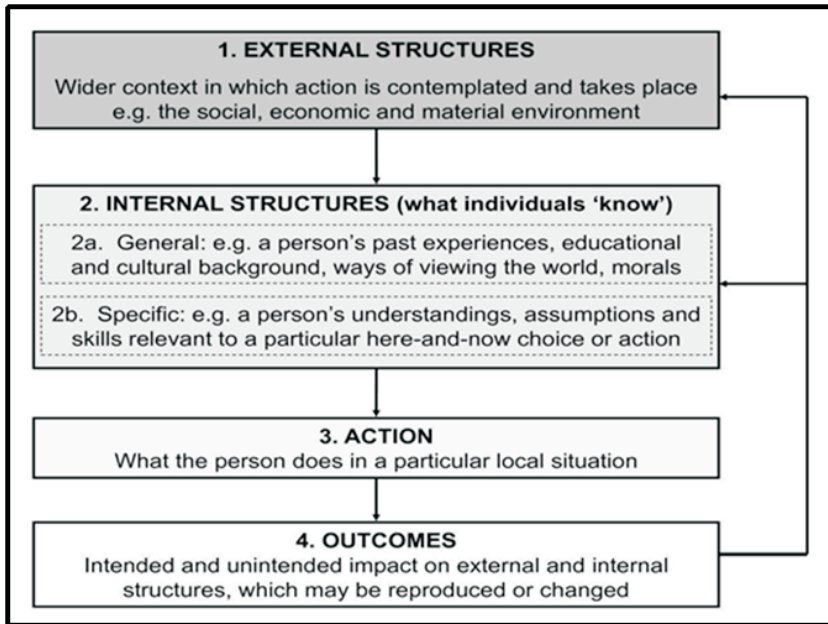
(Stones, 2005). Active agency refers to the acts produced when agents draw on their internal structures, whereas action signifies that one has the power to change certain aspects of one's life (Joas, 2009). It is through this agency that one transforms the structure and produces outcomes.

For the purposes of this study, social enterprises have been 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, 2009; 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 labour market (external structure), forms part of the labour structure, and acts to transform the very labour 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).

Social Enterprises and the Labour 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: 85)

As previously stated, social enterprises form part of the external structures, that is, the labour 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 labour 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 labour market (Defourny & Nyssens, 2010b). This produces an outcome of a fair labour market and reduces the incidences of precarious work.

However, the efficacy of the social enterprise to change the labour 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 labour 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). Thus, the labour 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 labour 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 labour 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 labour system that includes the underprivileged, rather than systematically excludes them.

Methodology of the study

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. The initial sampling method that was used to gain access to the social

enterprises was snowball sampling. The researcher approached the Amani Institute, an educational facility in Nairobi that trains social entrepreneurs, in order to get referrals to social enterprises that assist beneficiaries with employment services, provide direct employment, job training, or improved market access for artisans or traders. Five social enterprises participated in this study, as well as their beneficiaries, social entrepreneurs and senior managers. The social enterprises selected were *Nairobi Trust*, an organization that trains marginalized youth in ICT skills and *Somo Project*, which trains and empowers social entrepreneurs from low income backgrounds to create and scale their businesses. The third social enterprise was *NaiNami*, a tour company that is run with youth from the informal settlement of Mathare. In addition, the study analysed *Livelyhoods*, an organization that provides youth from informal settlements with jobs selling life-improving products to others in their community, and finally *Soko Inc.*, an organization that provides *juakali* (or metal work) artisans with a mobile app in order to sell their products abroad.

This research used the random sampling method in order to select respondents for the questionnaire and interviews. 50 semi-structured questionnaires were administered while five interviews were conducted with beneficiaries, and another five with senior managers or social entrepreneurs. An embedded model of design was used. This meant that some of the beneficiaries who completed the questionnaire were also interviewed. The researchers also visited each of the social enterprises' sites and noted down field observations.

Findings of the study

Impact of social enterprises on livelihoods

According to (Joas, 2009; Karp, 1986; Keizer, et al., 2016; Layder, 2012; Maas, 2013) social enterprises bring people and communities together for economic development and social gain. In an attempt to understand the economic development and social

gain different types of questions were raised. In this regard, 76.6 percent of respondents stated that their income had increased since joining the social enterprise. This is evident in Table 1 below.

Table 1: Changes in Beneficiaries' Income after joining Social Enterprises

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

Despite the increases in income, there was evidence that these incomes were unstable. As seen in Table 2, among respondents who earned income through the social enterprise, 48.84 percent earned an average monthly income of Ksh.10,000 or less, that is, lower than minimum wage. Furthermore, 20.93 percent of respondents stated that their average monthly income was too inconsistent for them to determine an average monthly amount.

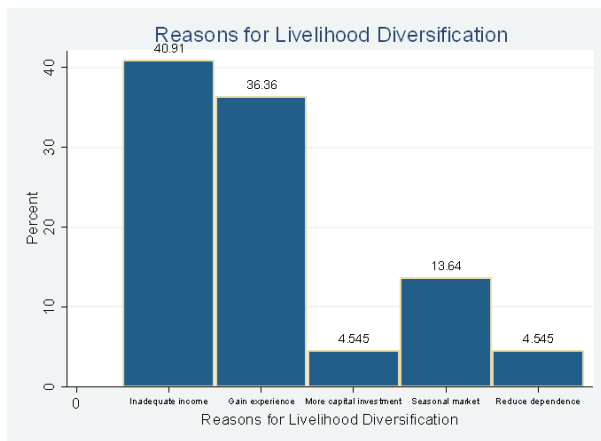
Table 2: Beneficiaries' Income Levels after joining Social Enterprises

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

When probed further, it was revealed that 48.98 percent of beneficiaries stated that they diversified their incomes, aside from

their activities with the social enterprise. Figure 2 below indicates the different reasons that beneficiaries diversified their incomes.

Figure 2: Reasons for Diversification of Income among Beneficiaries



Of the beneficiaries who diversified their incomes, 40.91 percent stated that they did so because their incomes were inadequate to support their families. On the other hand, 36.36 percent of respondents diversified their incomes so that they could gain experience in other fields.

There was also evidence of income inequality among beneficiaries. 93.33 percent of all female respondents earned below minimum wage, as opposed to 44.44 percent of all male respondents. This can be seen in Table 3 below.

Table 3: Income Inequality among Male and Female Beneficiaries

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

A Phi correlation further indicated a moderate positive relationship between earning above minimum wage and being male, that was significant. One likely reason was gender disparities with regards to entrepreneurship. 50 percent of male beneficiaries started their own businesses, as compared to only 33.33 percent of female beneficiaries. However, this alone was not adequate to explain the disparity in income. The researcher then sought to determine if 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. It was found that 62.50 percent of self-employed men were able to employ someone else after joining the social enterprise, as compared to only 18.18 percent of self-employed women. A Phi correlation test produced a moderately weak, positive correlation between being a man and scaling a business. Therefore, women who are engaged in trade earn less than men as their businesses operate on a smaller scale.

Thus, social enterprises increase beneficiaries' incomes. However, these increases in income are often either inadequate or inconsistent, forcing a large number of beneficiaries to diversify their livelihoods. Additionally, social enterprises fail to reduce the gender wage gap among their beneficiaries, particularly among those who are involved in trade.

On the other hand, it was also found that social enterprises positively impact the social capital of beneficiaries (Callistus and Dinbabo, 2014; Dinbabo, 2014). Through their participation within the social enterprise, beneficiaries form a network among themselves. This is reinforced by Laville & Nyssens (2001) who state that participants in social enterprises tend to create a sense of community amongst themselves, therefore building a sense of mutual understanding. Additionally, it was observed that beneficiaries are able to create linking capital with senior managers within the social enterprises, and can thus benefit from mentorship. Beneficiaries also used their social capital to gain employment for

their friends or relatives. This was evidenced by the fact that all senior managers who were interviewed stated that they had recruited beneficiaries based on references from other beneficiaries or alumni, as seen below:

*“ Most artisans here, the ones who were sourced independently were sourced from like market places, but then they come on board and then they work for Soko for a while and then they bring on board someone. So you might even find relatives working because its people who refer.”
(Manager at Soko Inc.)*

Indeed, 43.48 percent of respondents in the study stated that they joined the social enterprise based on referrals from relatives. This is represented in Table 4 which shows the channels through which beneficiaries were recruited.

Table 4: Channels of Recruitment of Beneficiaries

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

This social capital also has the potential to expand beyond the social enterprise. For instance, Walk, et al. (2015), found that when beneficiaries of a job and skills training program in Canada managed to get employment, they, in turn, recommended other beneficiaries for jobs in their organisations. 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.

Impact of Social Enterprises on Market access

Keizer, et al., (2016) note that *social enterprises* seek to align their impact and revenue-generating activities through market access. With the objective of investigating the impact of social enterprises on market access, informants were asked about any changes in market access that they had experienced. Accordingly, 93.75 percent of respondents said they had greater access to markets since they joined the social enterprise. This can be seen in Table 5 below, which indicates the level of market access of beneficiaries after joining their respective social enterprises.

Table 5: Changes in Beneficiaries' Market Access after Joining a Social Enterprise

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

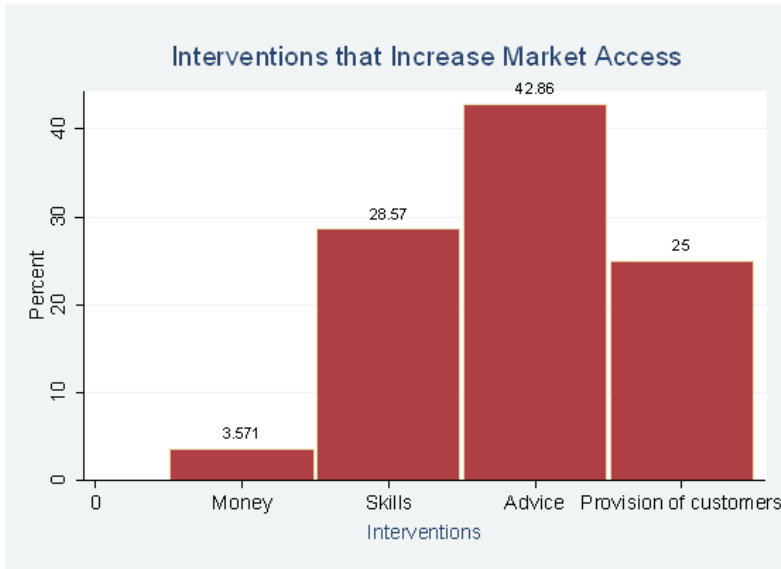
One social enterprise, the Somo Project provided a physical platform through which beneficiaries could sell their products and therefore increase their market access. This can be seen in the quote below:

“All entrepreneurs who have products, we have shops for them, here and in Korogocho where we stock their products and also we do markets for them, like Kilimani Markets, K1,....-uh- we do that for them, just to enable them to access higher income markets.” (Manager at Somo Project)

By introducing traders to upscale markets such as Kilimani Markets and the K1 Flea Market, the social enterprise exposes beneficiaries to the middle-class consumer and thus potentially to higher returns. While the social enterprise may attribute increased market access to such platforms, the study asked beneficiaries what they beneficiaries attribute their increase in market access to. This is represented by Figure 3, which highlights the different

interventions that increase market access.

Figure 3: Interventions that Increase Market Access among Beneficiaries



42.86 percent of respondents attributed this rise in market access 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. 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. Despite the argument that lack of capital is a barrier to market access (Chamberlin & Jayne, 2013), 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 was observed during a site visit where beneficiaries complained that they lacked enough capital to travel outside of

Nairobi, so as to sell their products in new markets. All this imply that, social enterprises 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 is not as effective in increasing market access.

The impact of social enterprises on training structures

Pozzebon & Pinsonneault, (2005) and Stones, (2005) note that training structures for *social enterprise are helpful for training entrepreneurship*. According to the information obtained from the study, all of the social enterprises offered training to their beneficiaries administered either in a formal learning environment, or informally through 'on-the-job' training. When asked, 96 percent of all respondents said they had attended training within the social enterprise, as indicated by Table 6.

Table 6: Number of Beneficiaries Who Received Training from a Social Enterprise

Receipt of Training	Frequency	Percentage
Received Training	2	4.00
Did not Receive Training	48	96.00

These training sessions were on a variety of subjects including financial or savings training, business management, customer service, sales, ICT, entrepreneurship, tour service, quality training or production. 87.1 percent of respondents stated that they received either a certificate or diploma from their social enterprise.

The study then analysed the impact of training on beneficiaries' income by conducting a Fisher's exact test. It indicated that there was no statistically significant relationship between the two. Therefore, the next question was whether certain fields of training lead to beneficiaries earning above minimum wage. This was done by comparing the subjects of training to beneficiaries' income groups. The results of this can be seen in Table 7 below.

Table 7: Comparison between Subjects of Training and

Beneficiaries' Income Groups

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

As can be seen above, 100 percent of those who received entrepreneurship training had incomes above minimum wage. 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. Conversely, 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 revealed a statistically significant, moderate correlation between the subject of training and income levels. It is however, 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.

All these responses show that social enterprises increase the level of training and skills among beneficiaries. This is confirmed by Spear & Bidet (2005) who argue that social enterprises play a vital role in providing training to beneficiaries. However, simply providing training does not impact income levels of beneficiaries,

rather it is the field of training that influences income levels. This is in tandem with Eade's (1997) argument that training does not necessarily improve the income of marginalised groups. The most effective subjects of study for increasing income are entrepreneurship, quality training and customer service.

Impact of Social Enterprises on Formalization

With the objective to measure the impact of social enterprises on formalization respondents were asked to put their understanding, the dynamics of their experience, perceptions, assumptions and attitudes. Many respondents clearly explained that formalization is understood as the registration and licensing of one's business. 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 out of necessity (so as to avoid their beneficiaries from being arrested), rather than due to a desire to formalize Nairobi's informal sector. The use of business licenses prior to joining a social enterprise was at 18.6 percent, as can be seen in Figure 4 below.

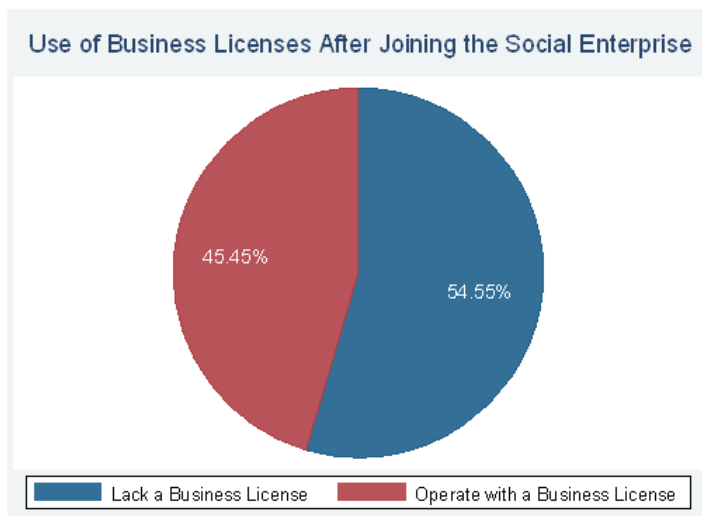
Figure 4: Use of Business Licenses before Joining the Social Enterprise



However, after joining a social enterprise, the use of business

licenses among beneficiaries rose from 18.6 percent to 45.45 percent as can be seen in Figure 5.

Figure 5: Use of Business Licenses after Joining the Social Enterprise



However, it was determined during interviews that after leaving the social enterprise, some beneficiaries go back to the informal sector. A manager at a social enterprise further elaborated on such beneficiaries :

“We have a few who do but then they do it better. So if you're running a- amtumba (second-hand clothing) business, you're able to run it, you're able to use the skills you used from Nairobibits to actually build your business. So with the skills they get you're able to either – if they go back-that's the few who do, you're able to make it better.”
(Manager at Nairobits Trust)

Thus, social enterprises impact formalization among their beneficiaries, as long as they are participating in the social enterprise. However, they have limited impact on formalization

after beneficiaries leave the social enterprise. This may be because the informal sector is characterized by low barriers of entry, as it involves unlicensed work, and does not require high start-up costs or technical skills (Atieno, 2006). This is confirmed by Mair, et al. (2006) who argue that the informal sector is a formidable structure that is not easily eroded. This trend may also be because social enterprises in Nairobi do not focus on increasing formalization among beneficiaries after they leave the enterprise, but rather on how effectively the beneficiaries conduct business, as is evident in the statement made above.

Impact of Social Enterprises on Fair Trade

Of the five social enterprises involved in the study, only one identified itself as consciously striving towards fair trade ideals. It embodied all fair trade ideals and made constant efforts to provide their beneficiaries with constant and fair wages. 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.

The other four did not define themselves as fair trade organisations, and were not aware of what the fair trade ideals, as defined by the FLO, were. However, they had some elements of fair trade. These included equal opportunities for marginalized groups such as women, the youth and persons from low income and educational backgrounds. This was true for beneficiaries who were also in precarious conditions, such as teenage mothers. One manager at a social enterprise explained how this was done:

“So we have centres that are only for girls, and so when we talk about a safe environment or a conducive environment means that at the end of the day we're able to accommodate girls who are expectant, we are able to accommodate girls

who are young mothers and they're not judged based on that. I've had instances where these girls sometimes come with their children so basically the environment is conducive to accommodate anybody even –um- despite your background, despite who you were before, cause it's more conducive.” (Manager at Nairobites Trust)

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. Beneficiaries were also 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. 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.

Therefore, 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 constitutes fair trade, and therefore do not aim towards it.

Impact of Social Enterprises on Attitudes

Finally, this study looked at the attitudes among employers that influence their hiring practices, as well as the attitudes among individuals about joining the labour market. It was observed during site visits to two of the social enterprise 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, as evidenced by the fact that beneficiaries in the study often referred to the social enterprises as partners for growth. On the other

hand, lack of trust was evident in a site visit to a different social enterprise. It was observed that 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.

The study also analysed any attitudinal shift spurred in beneficiaries through 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. They also 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 change in attitude is by design and is an intended outcome of some of the social enterprises' projects. One manager at a social enterprise expounds below:

“There were women who- were going through domestic issues and they're- they need to work so as a result, we have a- a project called Somo- Somo Women and we meet them and it's only for personal development, we don't do entrepreneurship in this program. It's for personal development, we do it for their own—to develop confidence, leadership, and it's specifically for the women, because we felt like there was –um- there was a difference in how they were handling things.” (Manager at Somo Project)

It was also determined that attitudes among beneficiaries towards formal qualifications had changed since joining their respective social enterprises. This is due to the fact that practical training

provides those involved in fields such as artisanship or web design with a repertoire and relevant work experience. On the other hand, some social enterprises also provided certificates or diplomas to beneficiaries who undertook training. As opposed to the prior view that higher level qualifications such as degrees are necessary to get a job, beneficiaries stated that by showing their experience, repertoire or certificate from a social enterprise to an employer, then they can get employed. These can then be used in lieu of formal qualifications when seeking a job. This is elaborated on by a beneficiary from one of the social enterprises:

“If you're taking your work, mostly they don't (care if you have a degree), unless there's an interview. It's also how you're going to defend yourself. I've seen people with diplomas and they're working for... taking positions that are meant to be taken by people with degrees and three years or five years of experience and they offer services. Actually, they're all in a better way than those with a degree. I think it's the way you're going to present yourself.” (Beneficiary of Social Enterprise)

Thus by enhancing the general-dispositional structures of beneficiaries, that is their skill set, social enterprises are able to shape the external labour structures which dictate that one must first have formal qualifications from universities in order to get a job. It can therefore be stated that social enterprises have significant impact on attitudes related to the labour market.

Conclusion and recommendations

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. 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 have limited impact on formalization among their beneficiaries as once beneficiaries leave the social enterprise, they often return to the informal sector. Social enterprises also influence the attitudes of beneficiaries, creating a more positive outlook on their contribution to the labour market and 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.

Recommendations

Social enterprises have several positive impacts on the labour 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 researchers have compiled recommendations that social entrepreneurs should consider during their operations in order to increase their impact on beneficiaries. *First*, 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. *Second*, 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 instances where the social enterprise wishes to finance beneficiaries' access to physical markets, consultations must first be made with their beneficiaries, so that an accurate map of the actual costs involved can be made. This will ensure that beneficiaries have adequate capital to penetrate new markets. Lastly, social enterprises that aim to change the attitudes towards the labour market towards the labour market, must first foster trust. This ensure uptake of positive attitudes among beneficiaries concerning employment or entrepreneurship.

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