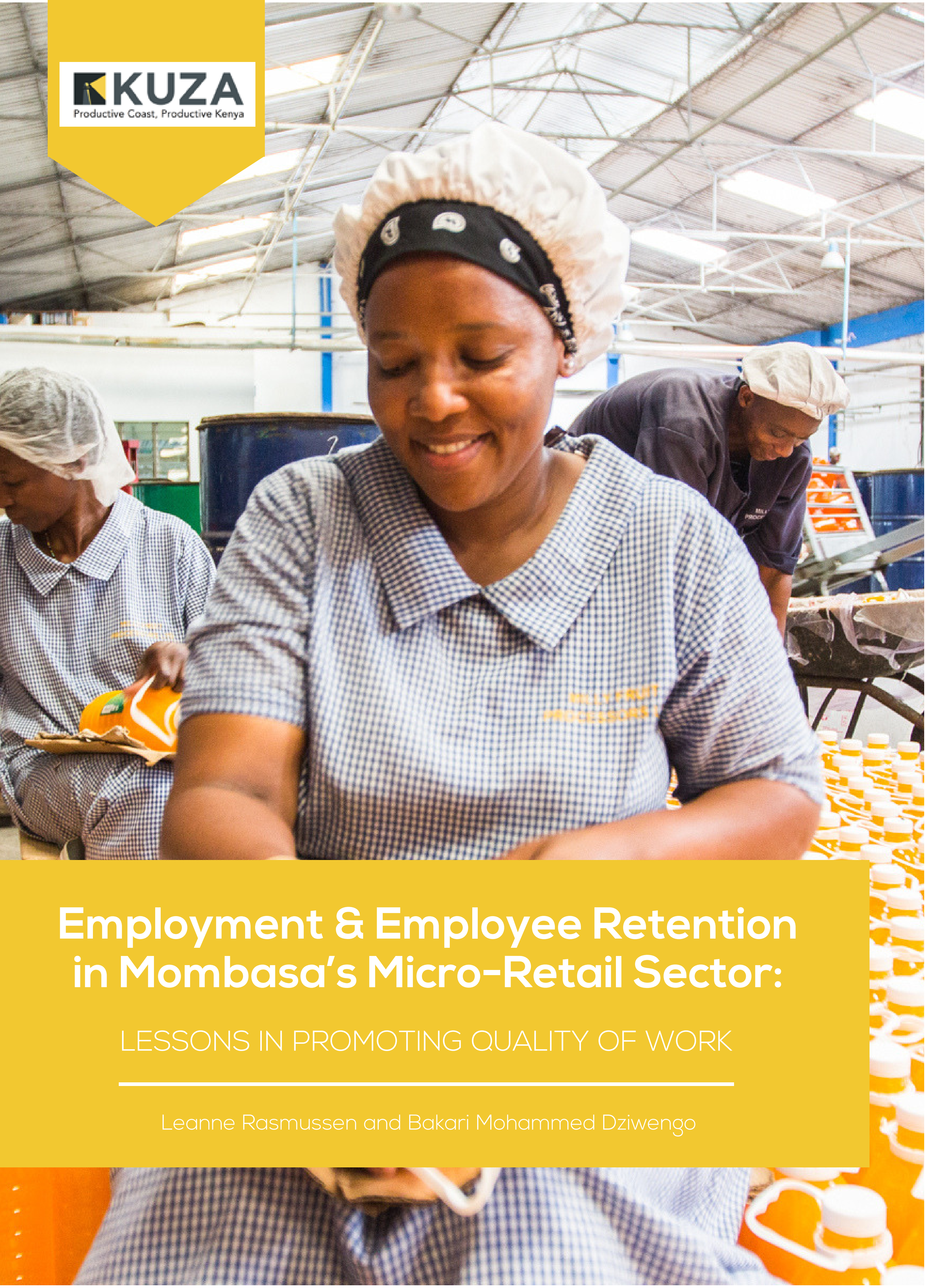


KUZA
Productive Coast, Productive Kenya

Employment & Employee Retention in Mombasa's Micro-Retail Sector:

LESSONS IN PROMOTING QUALITY OF WORK

Leanne Rasmussen and Bakari Mohammed Dziwengo

Background

Creating a job isn't enough – quality of work matters too. At Kuza, we wanted to get to the bottom of how to best attract and retain youth in micro-retail jobs in Mombasa, Kenya. We developed and tested some hypotheses to see what really motivated youth to take up entry-level jobs. The results point to an important blind-spot for a lot of programs.

Youth employment programmes are increasingly popular as a way to reduce poverty and reduce incentives for youth to resort to drug and alcohol abuse, or violent extremism and conflict. The Kuza programme in Mombasa took a market-led approach to youth employment in an urban context, by working with local actors to create sustainable job opportunities through new business models, and by conducting skills training through local centres that link to private-sector employment.

In order to target marginalised, low-skilled youth, Kuza selected sectors that have low barriers to entry and can offer significant numbers of low-skilled employment positions. Micro-retail was one of these sectors. Kuza worked with local entrepreneurs to establish micro-distribution companies that link large suppliers and manufacturers to micro-retail outlets around the county. Youth accessed employment opportunities as sales agents, who collect orders and deliver products in a given geographical area.

In mid-2016, Kuza encountered an unexpected situation where micro-distribution enterprises had open sales agent positions that they could not fill. Quite often, they would hire a new sales agent who would remain in the position for less than a month—sometimes less than a week—and despite recruitment efforts, the sales positions would remain open for months at a time.

This posed an interesting question for the Kuza team: in a city with 44% youth unemployment (and even higher under-employment), why were micro-distribution companies unable to fill sales agent positions? The sales agent positions typically offered a modest but steady compensation of about $200 USD per month, with salary and commission combined – commensurate to what similar low-skilled positions in restaurants or hotels would offer. So what was going on?

A micro-distributor at his shop

The team decided to embark on a two-fold process for understanding what was happening:

1. **Step one:** conduct a literature review of existing information on youth employment and retention, including global statistics/trends and results from other youth employment programmes
2. **Step two:** using an adaptive management approach, conduct a series of experiments to test hypotheses that emerged from the lit review and staff observations, to see if any change to the models generated improved recruitment and retention of youth employees.

This exercise could help improve implementation internally, plus generate valuable learning for other urban youth employment programmes.

Literature Review:
What do we already know?

Here are the main findings that emerged from the literature review:
Youth unemployment in Kenya is high, and youth unemployment in Mombasa is even higher–21.2 percentage points higher than the national average.

National unemployment	National youth unemployment	Mombasa County unemployment	Mombasa County youth unemployment
11.3% (Source: ILO)	22.8% (Source: ILO)	13.1% (Source: Exploring Kenya's Inequality, Mombasa. KNBS)	**44%** (Source: Kuza research)

Economic growth in Mombasa (and the Coast more generally) also lags behind the national average, despite the fact that Mombasa is the second-largest city in Kenya and home to Mombasa Port, the eight-busiest port in Africa and gateway to the East African Trade Network. Moreover, the combined figure for unemployment under-employment amongst youth in Mombasa is often estimated at around 65%.

We don't have a lot of good data on youth job creation or employee retention. There is decent data in developed countries and in the formal sectors of some developing or emerging economies. But there are big gaps, particularly when looking at low-skilled youth in Sub-Saharan Africa (SSA), and the factors that might determine not only whether jobs are available, but whether youth choose to occupy and remain in those jobs. Existing donor-funded programmes generally do not keep great records, and almost never track whether youth remain in jobs over time.[1]

Globally, sectors that employ predominantly unskilled or semi-skilled labour see higher turnover of staff. Such sectors with high turnover/low retention of staff include hospitality, retail, and other customer-facing industries. There is some evidence that turnover is particularly acute for the fast-moving consumer goods (FMCG) retail industry.[2] This is generally due to the abundance of entry-level job possibilities, homogeneity of wages and hard working conditions (physical, long hours, with weekends and holidays as the busiest times).[3] The image of "serving others" may also contribute to turnover.[4] We have strong evidence that this is true for Mombasa and for Kenya as well, and there is good data to suggest that turnover in Kenya's formal white-collar jobs is quite low in comparison.

Younger workers and male workers are more likely to voluntarily leave their jobs than older workers or female workers. There is significantly higher turnover for the under-35 generation across many continents. Even in the UK, workers between 20 and 34 stay with an organisations for an average of only 1.1 years. Women tend to report higher job satisfaction than men, even when working inferior jobs, and are more likely to stay.[5]

Firm-level determinants of employee retention go beyond just pay. Wages and compensation are the biggest reason why employees wish to change jobs. But security and consistency of work, opportunities for advancement, employee engagement, and organisational culture, also factor in quite strongly.[6] These patterns hold across developed and developing countries.[7] In the Kenyan formal sector, there is evidence that employee

1 Betcherman et al, 2007
2 Cascio, 2006
3 Bills, 1999; Giang, 2013
4 Wildes (2005)
5 Brown & McIntosh, 1998
6 Cable & Judge (1994), Aspen Institute (2002), Erhel & Guergoat-Larivière, 2010
7 ILO 2015

Firm-level determinants of employee retention go beyond just pay.

Wages and compensation are the biggest reason why employees wish to change jobs. But security and consistency of work, opportunities for advancement, employee engagement, and organisational culture, also factor in quite strongly.

engagement and organisational culture are the largest determinants of employee retention.[8]

Cable and Judge (1994) find that **job seekers are in general more attracted to organizations that offer fixed pay versus contingent pay (based on organizational outcomes or individual performance**). However, certain types of individuals are more attracted to contingent pay structures: those with low risk aversion, high self-efficacy, and high internal centres of control.

Incentivising retention in the first three months of work can improve employee retention for the long-run. In Kenya, the McKinsey Generation Initiative (MGI)[9] has found that, across retail (low-skilled) and banking (high-skilled) job placements for youth, specific incentives within the first three months can keep youth employees in their positions for the long-term. Strategies have included reimbursement of transport expenses, a more frequent compensation schedule payment (i.e. weekly vs monthly) for low-income jobs, and even an upfront payment at the start of work. Though the impact of these incentives on retention decrease over time, they have reduced the 1-month and 3-month rates of high turnover that are typical of sales jobs, by allowing employees to experience the longer-term benefits of the position after they become comfortable with it.

8 2015 Deloitte Kenya Human Capital Trends

9 Information for MGI was detailed by a McKinsey staff in-person; currently there is no publicly available data.

Developing Hypotheses

The literature review suggested many variables that could be affecting low retention (low wages, long hours, nature of entry-level service jobs, contingent pay structure, inconsistency of work, low satisfaction or poor work environment)—or even that the micro-distributors should expect low retention, based on the very nature of the sector. But which factors are responsible?

To narrow down the responsible factors, Kuza identified some areas where micro-retail did seem to be getting the incentives right. Although pay was not spectacular, it was on par with other low-skilled positions, and it offered a steady monthly salary: on Kuza's recommendation, most micro-distributors paid a flat monthly salary with a smaller commission component, ensuring that sales agents were compensated even in times of slow sales. Thus, work was consistent and pay was reliable. Plus, while the sales jobs had an early start time, most sales agents could finish their day's work within five or six hours, whereas many entry-level positions would expect eight or ten-hour days. So it seemed safe to exclude long working hours, amount of pay, and consistency of pay, as the variables.

To further narrow down the list of potential variables, Kuza compared the nature of micro-retail to the program's work in the waste management sector. With waste management partners, youth are typically offered jobs as waste collectors or sorters at aggregation sites. Such jobs shared various characteristics with those in micro-retail: average wages, hard physical labour, and entry-level/low-skill positions. But, waste management was much dirtier than micro-retail, and usually had longer hours. Despite this, staff turnover with Kuza's waste management partners was almost zero. This meant that on paper, the working conditions in waste management were worse, but youth preferred them over micro-retail.

So what were waste management companies doing that micro-retail companies weren't? The Kuza team came up with a few hypotheses:

1. **Social purpose.** The literature review provided some evidence that youth involved in waste management felt like they were playing a constructive role in the community. In one Kenyan study, a waste collector in Nakuru described how his group's work affected the community: "We make life affordable in the slums and estates. We clean these places. We educate the people of the estates; we also clean Nakuru. We are employed by this ourselves but we also employ others." Perhaps this sense of civic engagement contributed to job satisfaction, and kept youth engaged in the work.
2. **Co-management with peers.** Moreover, the team noted that in waste management, most of the entry-level activities were conducted by organised youth groups or youth-led community-based organisations (CBOs), as opposed to independent entrepreneurs. Perhaps working collectively with their peers, and having the opportunity to be involved in the group's management, also made the work more satisfying.
3. **Frequency of pay.** Staff in micro-retail were paid monthly, whereas staff in waste management were paid daily or weekly. As the literature review suggested, it could be that daily or weekly remuneration—particularly for new employees—encouraged waste management workers to stick around.
4. **Fair, transparent commission.** Despite the literature review claiming that most people prefer salary to commission, the team had a feeling that the sales agents were demotivated by a sense that they were not receiving a fair share of the profit margins from the products they sold. Some workers suspected the micro-distributors were keeping large margins for themselves, and disproportionately capturing the benefits of the agents' hard work. As a service industry that did not involve commission, this was not an issue in waste management.

Our Methodology

Based on these discussions, the team narrowed in on a set of experiments to run in micro-distribution. The experiments would test whether changing up the frequency of pay (daily, weekly), offering better commission on a daily basis, or working for a youth group versus an individual entrepreneur, had any effect on retention. Kuza invited all its existing partners to participate, and to select which test interested them most.

After consulting with the micro-distributors, the tests looked like this:

1. 2 micro-distributors would begin offering pay on a weekly basis.
2. 3 micro-distributors would begin offering pay on a daily basis.
3. 2 micro-distributors would begin offering daily commission payment plus monthly salary.
4. 2 micro-distributors would not change the pay structure or frequency, as a control group (and because they weren't interested in running any of the tests).
5. 7 new youth groups would start conducting micro-distribution, with their members working as agents. 2 of the groups offered loans to members, while 5 offered daily commission, and 2 of those 5 offered small salaries on top of the commission.

This now created two groups of micro-distributors: those run by an individual entrepreneur who employed a team of agents, and those run by youth groups, whose members held both management positions (treasurer, field manager, etc.) and sales agent positions. The other tests on pay and frequency were based on preferences of the individual and youth group micro-distributors, and what they felt would resonate best. The approaches are summarised here:

	Individual MD	Youth Group MD
Daily pay	3	2
Weekly pay	2	2
Daily commission + salary	2	1
Just commission	0	2
Loan	0	2

Note that two of the seven youth groups offered members a choice of either daily or weekly pay, and they are counted twice.

The Kuza team then monitored to see if any micro-distributors improved their retention of staff, or if youth groups showed high retention of staff as they launched activities. Every two weeks, the team checked in and recorded if any staff were hired, fired, or quit, using a simple Excel sheet:

Name	Start date of test	# Staff/vacancies								
		Opening			Sep 19-Oct 2			Oct 3-16		
		Staff	vacancies	turnover	Staff	vacancies	turnover	Staff	vacancies	turnover
[illegible]	[illegible]	2	3	6	2	3	6	2	3	6
[illegible]	[illegible]	4	2	5	4	2	5	4	2	5
[illegible]	[illegible]	2	6	4	2	6	4	2	6	4
[illegible]	[illegible]	2	6	4	2	6	4	2	6	4
[illegible]	[illegible]	2	3	0						
[illegible]	[illegible]	2	3	2	2	3	2	2	3	2
[illegible]	[illegible]	0	5	n/a	0	5	n/a	0	5	n/a
[illegible]	[illegible]	1	4	2	1	4	2	1	4	2
[illegible]	[illegible]	0	5	n/a	0	5	n/a	0	5	n/a
		Staff	vacancies	turnover	Staff	vacancies	turnover	Staff	vacancies	turnover
[illegible]	[illegible]	0	8	n/a				0	8	n/a
[illegible]	[illegible]	0	8	n/a	18	0	0	25	0	0
[illegible]	[illegible]	0	8	n/a	10	0	0	10	0	0
[illegible]	[illegible]	0	8	n/a	n/a	n/a	0	n/a	n/a	n/a
[illegible]	[illegible]	0	8	n/a	10	0	0	5	5	5
[illegible]	[illegible]	0	8	n/a	27	0	0	27	0	0
[illegible]	[illegible]									
[illegible]	[illegible]									

Figure 3: The first two weeks of data collection. Individual micro-distributors are listed at the top, and CBO micro-distributors at the bottom. It took some time for CBOs to get started

After diligently recording the data over three months, not much had changed. Some of the youth groups still had yet to launch their operations as well, due to internal delays. With the last data collection day falling just before Christmas, the team decided to give it another two months in the new year, and then see how far everyone had come.

Findings

Members of Likoni Youth Focus, a CBO that does micro-distribution of bread

Even with the additional two months of testing, which officially ran from September to February, there was no meaningful change in recruitment and retention for the individual micro-distributors. One (we'll call him MD #1) was able to hire one additional sales agent, taking his total number of sales agents to three, but still leaving two vacancies. Another (MD #2) hired two new sales agents, giving him three agents total but still with two vacancies remaining as well. The others saw no changes. Over the total 18 months of operating the business model, MD #2 finished with the lowest overall turnover amongst any of the individual micro-distributors, having only two sales agents quit during that time. Others had lost up to six agents over the 18 months, usually while trying to fill 5-6 positions at a time.

For the rest of the individual micro-distributors, the tests did not help attract or retain any additional staff—there was no change at all. On the surface, this was disappointing—after all the time spent devising hypotheses and setting up the ideas with the micro-distributors, things still looked the same. The team might have wondered if we had learned anything at all.

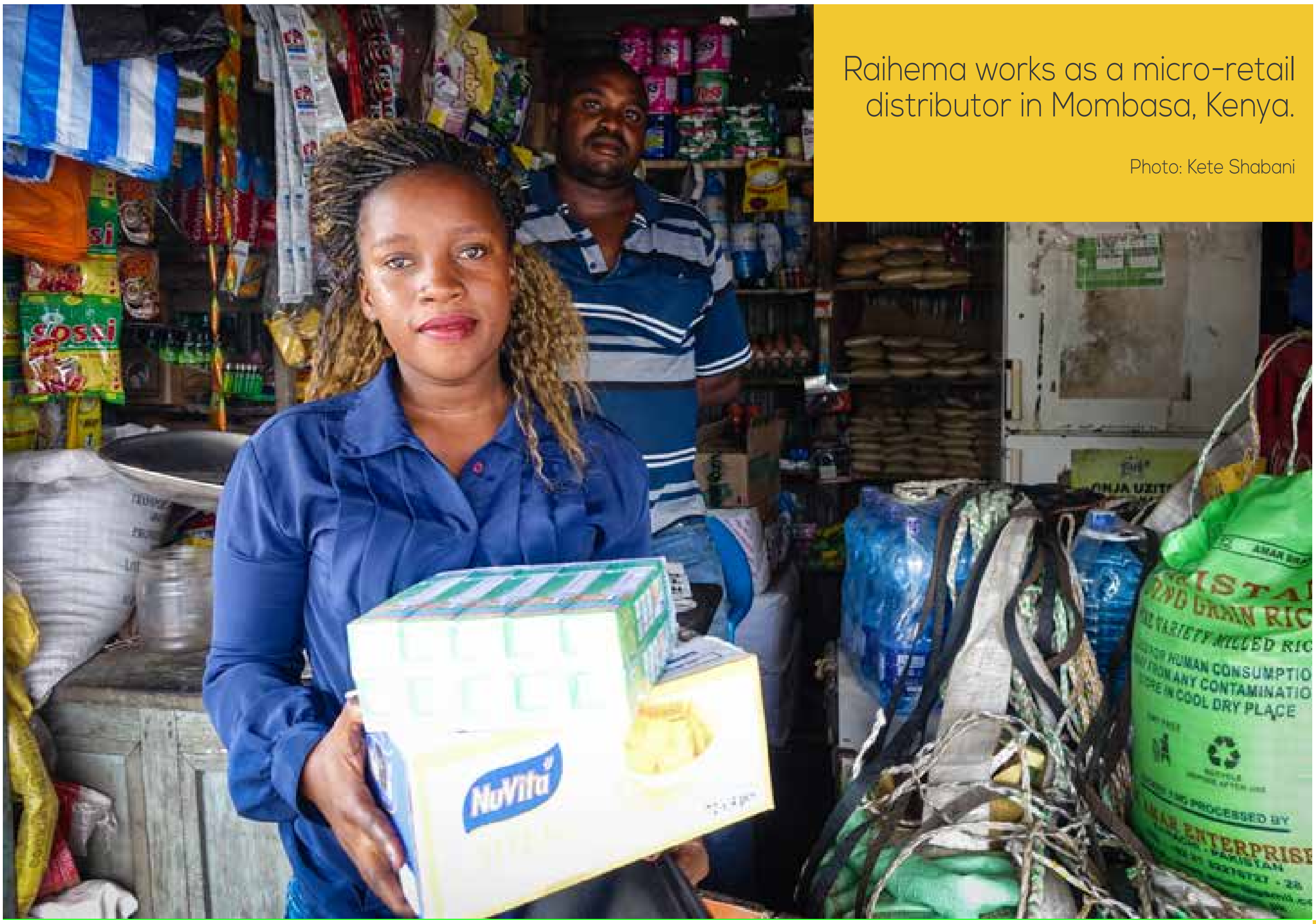
But the real surprise (and the real learning) came from the astonishing success of the CBOs in comparison to the individual micro-distributors. Within a few short months, they had launched the micro-distribution enterprise, employed anywhere between 8 and 25 of their members as sales agents, and not a single sales agent had quit. Even for the groups that only offered their members a loan—i.e. no salary at all—they had stuck with it (and as of June 2017 when this was written, were still sticking with it).

These outcomes were not what the literature review may have predicted. It nullified Kuza's hypothesis about the frequency of pay (daily, weekly, monthly). Instead, it started to emerge that what drove youth to work hard and stay in these positions was their role as a member of the group. When operating in a CBO, there was not a divide between 'management' and 'employees'—everyone was working together for the collective goals of the group. All group members felt like they had an important role to play, and like they had a say in shaping the direction the group would take. It felt less like being an 'employee,' and more like being a partner in a growing enterprise.

Interestingly, those sales agents working for MD #2 reported similar sentiments. Unlike the other micro-distributors, MD #2 was the same age as many of his agents (27). He treated them like colleagues, not like subordinates. All his sales agents were aware of how much margin he made on each product sold, and how much of the margin went to them as commission. Agents felt they were getting a fair share, and like they were helping build his business together.

Taken together, the findings suggested that Kuza's second hypothesis, related to working with peers in a partnership or group, was the biggest factor that kept sales agents on the job. Hypothesis 4 related to transparent, fair commission also seems to play a role: with MD #2 and all the CBOs, all group members knew how much money was being made by both parties, and what the money was being used for. Though two CBO groups only offered loans as compensation, members understood that the eventual investment would also benefit them as members.

This outcome also resonates with Kuza's findings from its work in skills training. Amongst those training graduates, Kuza tracks their employment status in the months following, and a large chunk of graduates go into self-employment and run their own micro-enterprises. Of course, this is partly due to the lack of available jobs in Mombasa, but many youth claim they prefer to be their own bosses, and do not want formal employment where they are answerable to a strict manager. Some also express an element of pride in running their own business, rather than being subservient to someone else. This is consistent with the fact that micro-distributors had open positions for months that no one wanted.



Raihema works as a micro-retail distributor in Mombasa, Kenya.

Photo: Kete Shabani

Implications for programming

There are a few key lessons to distil for other programs working on job creation, particularly for youth employment:

- **Not all jobs are created equal.** It is important to pay attention to the quality of work, and not just the existence of a job. For some people, a sense of inclusion or ability to influence outcomes in the enterprise is of strong importance. For others, the opportunity to express entrepreneurial skills and self-motivation is also critical. Youth have expectations for their work outside of just 'having a job.'

- Similarly, **compensation is not the only factor** that determines whether an individual will be happy in a job. The compensation needs to be fair relative to the work being done, and relative to how much others are making as well. But other factors beyond compensation, like contributing to the building of a bigger business idea, can be even more motivating.

- **Pay attention to local cultural factors.** In another area, the original micro-retail model may have worked very well. But in coastal Kenya, the clash of traditional, strict management culture with youth pride and entrepreneurialism meant that money alone was not enough for the jobs to be seen as acceptable.
- **Consider—but do not force—alternative arrangements for doing business.** In Mombasa, many youth already belong to youth groups that have been active in the city for years. These groups have high degrees of social cohesion and trust, and many also run other entrepreneurial activities. Because of this, they were able to pick up the micro-distribution idea quite effectively. However, this likely would not have worked if the project had gone about forming youth groups for the purpose of taking on micro-distribution. As many agricultural programs have seen, such groups work much better when they are self-organised and self-motivated, rather than artificially constructed by an outside actor.

- In traditional enterprises, youth groups, or other business entities, **youth may respond better to working alongside other youth.** The most successful micro-distributor was himself classified as part of Kuza's target employment group. There is significant potential for programs to leverage the employment-generating potential of educated, middle-income youth in starting new enterprises as well, particularly those enterprises that require greater access to start-up capital or specialised skills. Programs can help entrepreneurs and managers to understand this, and design recruitment strategies that make sense.

As a result of these tests, Kuza pivoted to expand its work with CBOs in micro-retail. After these tests concluded, several more youth groups came on board and successfully launched micro-distribution enterprises. The team noticed that most youth groups start with selling only one fast-moving product (often bread or water), so there is also scope to deepen support to current partner CBOs, to improve business management and manage relationships with several suppliers at once. As Kuza transitions out of its time as a DFID-funded program (which officially ended on June 30th) and into its new role as an independent, multi-donor organisation addressing youth employment at the Kenyan coast (under the name of Imarisha Vijana Association), enabling youth groups to take on new entrepreneurial roles is a key part of the organisation's continued mandate.

Sources cited

1. Betcherman, G., Godfrey, M. Puerto, S., Rother, F. and Stavreska, A. (2007) "A review of interventions to support young workers: findings of the youth employment inventory." SP Discussion Paper No. 0715. Washington, DC: World Bank. Accessed through: http://www.youth-employment-inventory.org/downloads/1.pdf
2. Brown, D & McIntosh, S. (September 1998). 'If You're Happy and You Know It...Job Satisfaction in the Low Wage Service Sector'. Centre for Economic Performance, London School of Economics and Political Science. http://eprints.lse.ac.uk/20249/1/If_You%27re_Happy_and_You_Know_It...Job_Satisfaction_in_the_Low_Wage_Service_Sector.pdf
3. Cable, D. and Judge, T. (1994) "Pay preferences and job search decisions: A person-organization fit perspective". Personnel Psychology 47(2), pp. 317 – 348.
4. Cascio, W. (2006). "The High Cost of Low Wages". Harvard Business Review, December 2006. Accessed through: https://hbr.org/2006/12/the-high-cost-of-low-wages
5. Deloitte. (2015). "Kenya human capital trends, 2015: Leading in the new world of work". Accessed through: http://www2.deloitte.com/ke/en/pages/human-capital/articles/hc-trends-infographic-kenya.html
6. Erhel, C. and Guergoat-Larivière, M. (2010). "Job quality and labour market performance". Centre for European Policy Studies, 330. Accessed through http://aei.pitt.edu/14580/1/No_330_Ehrel_and_Guergoat_on_Job_quality_revised_final.pdf
7. Giang, Vivian. "New Report Ranks America's Companies Based on How Quickly They Jump Ship." Business Insider. July 25 2013. http://www.businessinsider.com/companies-ranked-by-turnover-rates-2013-7?IR=T
8. International Labour Organization (2013). "Kenya: making quality employment the driver of development". International Institute for Labour Studies. Accessed through: http://www.ilo.org/wcmsp5/groups/public/@africa/documents/publication/wcms_231155.pdf
9. International Labour Organization. (2015). "Global employment trends for youth 2015: Scaling up investment in decent jobs for youth." Accessed through: http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_412015.pdf
10. ISED and The Aspen Institute. (2002). "Informal Economy Literature Review". Accessed through: http://www.kingslow-assoc.com/images/Informal_Economy_Lit_Review.pdf
11. Lubaale, Grace N. and Owen Nyang'oro. 2013. Informal Economy Monitoring Study: Street Vendors in Nakuru, Kenya. Manchester, UK: WIEGO. http://www.wiego.org/sites/default/files/publications/files/IEMS-Nakuru-Street-Vendors-City-Report.pdf
12. Wildes, V. J. (2005). "Stigma in food service work: How it affects restaurant servers' intention to stay in the business or recommend a job to another". Tourism and Hospitality Research 5(3), pp. 213–233.

Implemented by:

Funded by: