

Decent Work in Uganda's Informal Economy

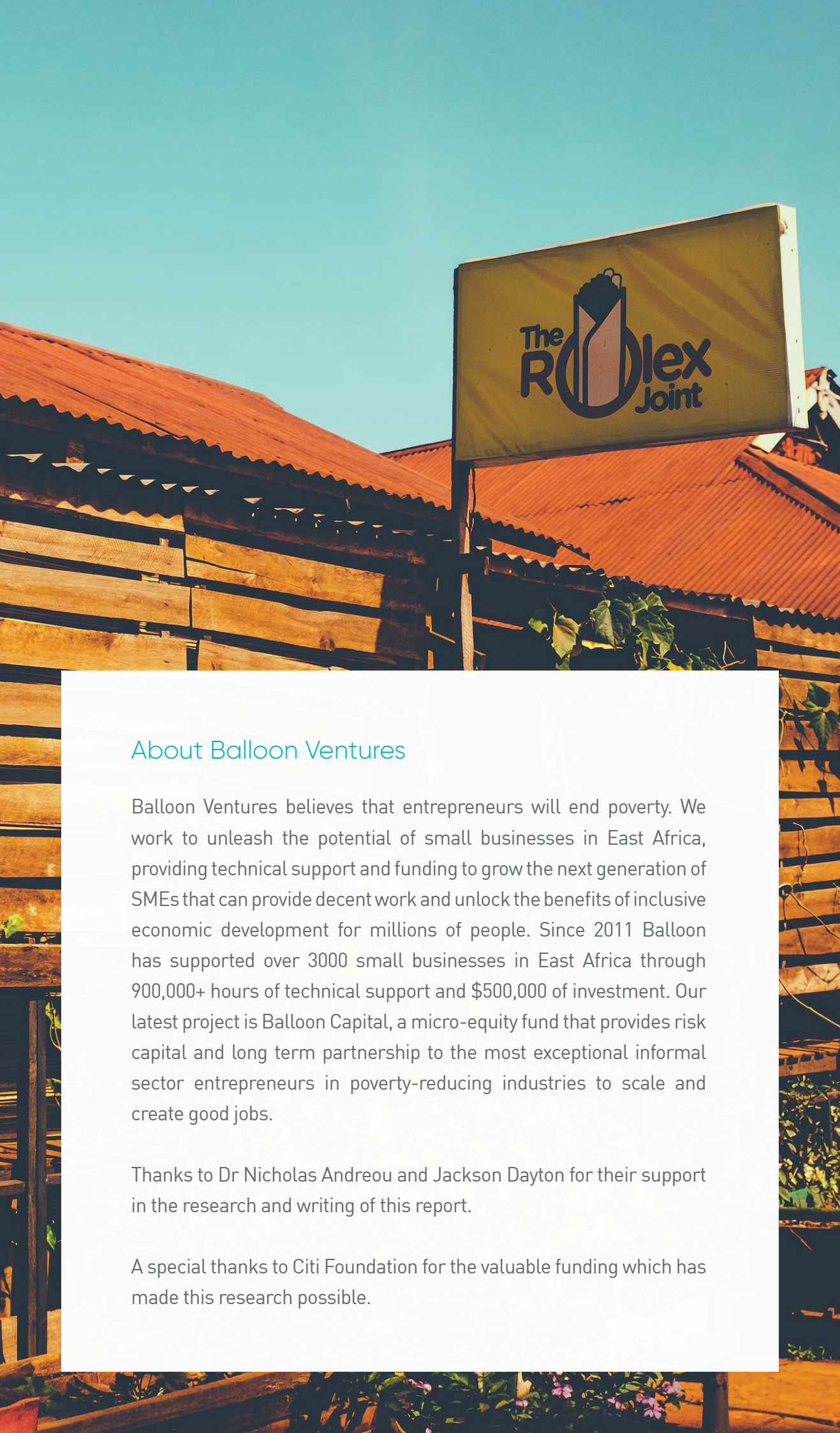


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About Balloon Ventures

Balloon Ventures believes that entrepreneurs will end poverty. We work to unleash the potential of small businesses in East Africa, providing technical support and funding to grow the next generation of SMEs that can provide decent work and unlock the benefits of inclusive economic development for millions of people. Since 2011 Balloon has supported over 3000 small businesses in East Africa through 900,000+ hours of technical support and \$500,000 of investment. Our latest project is Balloon Capital, a micro-equity fund that provides risk capital and long term partnership to the most exceptional informal sector entrepreneurs in poverty-reducing industries to scale and create good jobs.

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Executive Summary

Sustainable development is understood to be a multifaceted endeavour across social, political and economic issues. A key part of this is promoting decent work. Jobs which are safe, fair and focused on human development can serve as the foundation for a thriving economy and social wellbeing.

While many initiatives have been created to focus on the promotion of decent work in formal businesses, very little work has been done to understand and promote decent work in the informal economy. This is a glaring gap as estimates suggest that 70% of employment opportunities in sub-Saharan Africa are in the informal sector.

The informal sector poses a challenge for decent work as it is assumed that the majority of informal sector work is insecure, poorly paid and often unsafe. Without a good job, workers are unable to take the long-term view and plan for better outcomes in the future (Banerjee, 2011). This, in turn, reduces the likelihood of their children fulfilling their potential, and the cycle of poverty continues. Therefore the benefits of economic development are

only unlocked through decent work and 'good jobs'.

From a women and youth perspective, this topic is even more critical as these groups are disproportionately represented in the informal economy. Furthermore, given Africa's huge 'youth bulge', the informal sector is likely to grow even faster as young people enter the job market in increasing numbers.

We believe that re-imagined, the informal sector has tremendous potential to provide decent work for all.

This research attempts to kick off a discussion about how to achieve that by conducting in depth interviews with ten informal sector entrepreneurs in Uganda employing 3 to 60 people across a range of sectors in Mbale Town, a large urban settlement in Eastern Uganda.

The goal was to understand current provisions offered to employees and the barriers that entrepreneurs face stopping the creation of decent work. This serves as a starting point to focus energy and design possible solutions to create more good jobs.

The findings suggest that overall, entrepreneurs show a concern for the welfare of their workers and in many cases go above and beyond to support their workers. Examples include offering paid sick leave to employees who are unwell and offering employment opportunities to those from disadvantaged backgrounds. However, there were also worrying trends, with most of the key requirements for decent work identified by organisations like the ILO and UN, missing in the employer-employee relationship. For example, contracts were largely absent and work was often irregular.

In terms of barriers preventing higher standards, the main issues that emerged were a lack of understanding of decent work issues and/or how to overcome them; resource constraints; and a lack of trust between employer and employee. Based on these insights, the final section suggests potential programmes and policy interventions to help drive decent work in the informal sector.



Introduction

Sustainable Development and Decent Work

Over the last few decades, the development agenda has matured, progressing from simplistic models of economic growth (Sachs, 2015; Mabogunje, 1980) to a more holistic understanding of development. The Brundtland Report (WCED, 1987) was instrumental in this journey, defining sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”, broadening the scope to environmental, social and political issues. Capturing this view, the newly adopted Sustainable Development Goals are a set of goals that simultaneously address environmental, economic, social and political issues (Atkinson et al., 1997; Pearce, Barbier, & Markandya, 1990).

An emerging element of this has been the promotion of decent work. According to the International Labour Organisation (ILO), decent work “*involves opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organise and participate*

in the decisions that affect their lives and equality of opportunity and treatment for all women and men.”

Decent work is now considered a cornerstone of development and is captured in SDG 8. In a report published for the ILO, Nobel Laureate Amartya Sen (1975) articulates three reasons why decent work is the fastest way to achieve development: the production aspect (i.e. decent work improves the productivity of a nation); the income aspect (i.e. fair wages improve spending power of workers); and the recognition aspect (i.e. decent work promotes a sense of fairness and wellbeing amongst the workforce which is important from a psychological and social perspective).

Several initiatives have been created to promote decent work. Two policy initiatives include the International Labor Organization’s ‘Decent Labour’ initiative (ILO, 2002) and the World Health Organization’s ‘Healthy Workplaces Framework’ (WHO, 2010). They set out a broad set of goals to be achieved by employers and the frameworks and principles to guide them in achieving these goals.

Without secure employment, a worker cannot save and invest in education, healthcare, and better housing. Without a degree of stability, they will be unable to take the long-term view and plan for better outcomes in the future (Banerjee, 2011). Their children will grow up in an environment unable to make most of their talents and the cycle of poverty will go on. Therefore the benefits of economic development are only unlocked through decent work and “good jobs”. A “good job” offers the stability, security and income needed to escape poverty.

The Informal Economy

Decent work initiatives including the ILO and WHO’s approach tend to focus on larger and more formal organisations. While these organisations are a key stakeholder, in order to drive change for all employees, the informal sector also has a critical role to play in sustainable development.

In sub-Saharan Africa, the informal sector accounts for, on average, 41% of GDP (Schneider, 2002), which translates to circa 70% of employment. As the major provider of jobs, no analysis of decent work can be complete without focusing on the informal economy.

Additionally, for any organisation focusing on the development of women and youth, the informal economy is even more critical as women and youth are disproportionately impacted. For example, in Uganda, the informal sector accounts for 75% of total

employment but 85% of working women are employed in the informal sector while 92% of youth entering the workforce join this sector.

Currently, the picture painted is quite bleak. According to the ILO: “From the perspective of unprotected workers, the negative aspects of work in the informal economy far outweigh its positive aspects. Workers in the informal economy are not recognised, registered, regulated or protected under labour legislation and social protection, for example when their employment status is ambiguous, and are therefore not able to enjoy, exercise or defend their fundamental rights. Since they are normally not organised, they have little or no collective representation vis-à-vis employers or public authorities. Workers in the informal economy may be characterised by varying degrees of dependency and vulnerability.”

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Work in the informal economy is often characterized by small or undefined workplaces, unsafe and unhealthy working conditions, low levels of skills and productivity, low or irregular incomes, long working hours and lack of access to information, markets, finance, training and technology.

- ILO

Given this understanding of the informal sector, it is no surprise that the default approach from key actors has been to implement policies to formalise the informal sector or in other words, abolish the informal sector (Sepulveda and Syrett, 2007; SBC, 2004; Tokman, 2007). This approach has been tried but has largely failed. Benson (2014), in a review of such attempts, explains how standards and certifications; taxation and pricing; and public procurement, have all previously failed to bring about desired outcomes through formalisation of previously informal activity.

Given the difficulty in formalising the informal sector a new approach to informality is required. Chen (2012, p. 20) summarises this position well:

“What is needed, most fundamentally, is a new economic paradigm: a model of a hybrid economy that embraces the traditional and the modern, the small-scale and the big scale, the informal and the formal.”

At Balloon Ventures, we believe that the informal economy has awesome potential to drive inclusive economic development. Its massive scale and continued growth, while other parts of the economy have stalled, is a testament to this. However, it is also true that many aspects of the informal economy pose great challenges to development. For example, the informal sector work is often characterised by insecure, poorly paid and unsafe work. We see this as a huge problem. Without secure employment, a worker cannot

save and invest in education, healthcare, and better housing. Without a degree of stability, they will be unable to take the long-term view and plan for better outcomes in the future (Banerjee, Poor Economics). Their children will grow up in an environment unable to make most of their talents and the cycle of poverty will go on. Therefore the benefits of economic development are only unlocked through decent work and ‘good jobs’. A “good job” offers the stability, security and income needed to escape poverty.

This is critical because many organisations strive to create jobs to defeat poverty. However, research suggests that unless the job is of good quality, the impact is minimal. Therefore, a focus is needed not just on job creation, but on “good job” creation. Furthermore, now is the time to act due to a rapidly growing African population.

Uganda’s population is projected to grow exponentially, from 40 million in 2015 to 141.2 million by 2065. (World Bank) Currently 92% of youth in Uganda entering the workforce join the informal sector.

This ‘youth bulge’ is seen across most emerging markets and creates both a huge opportunity and a huge challenge. If decent work isn’t created in huge numbers, this demographic dividend will become a demographic disaster.

This Research

In order to understand how to move forward, there is a need to understand current work practices in the informal sector. To begin to plug this gap, this research starts a conversation with entrepreneurs in Uganda within the Balloon Ventures network.

Research questions

The focus of the research is on the following three questions:

1. What do the current jobs that entrepreneurs offer look like?
2. What is preventing entrepreneurs from improving the jobs offered to their employees?
3. What role can actors play to help create decent jobs?









Sample

The entrepreneurs selected for this research manage businesses across a wide range of industries in an effort to provide a comprehensive picture of current employment practices in Uganda. They range from the very informal (locally but not nationally registered) to the formalising (locally and nationally registered and fulfilling most of the requirements of a formal company while still employing some informal practices) and employ from 3 to 60 employees. The brief description of each entrepreneur and their business below provides context for when they are referred to or quoted later in the report. All of the entrepreneurs interviewed are either full or majority owners of their businesses.

- James is the founder and director of a wood and furniture business, called Jim-mitex, in Mbale, employing twenty workers.
- Barbara is the manager of a small restaurant in Jinja, The Rolex Joint, and employs three staff.
- Meddie is the director of a sandal manufacturer, Lugabile, that makes sandals in Mbale from used tires, employing 40-60 people daily, depending on demand. He is also the chairperson of the Mbale district Taxi Drivers Conductors and Owners Association, which has 860 registered members.
- Elijah is the director of Bamukwasi Fish Farm in Tororo, employing ten staff members.
- Judith is the Head Teacher of Good Foundation, which is a nursery and primary school with 15 staff in Mbale.
- Collins is the manager of Winner’s Choice Bakery in Namakwekwe, employing four people.
- Charles runs a veterinary service shop in Nakaloke with two employees.
- Yakubu is the manager of a rice farm called Tawu Investment Limited that employs fifteen people in Atire.
- Saleh owns Casa Lodges, a chain of guest houses in the Mt. Elgon region, and employs 24 people.
- Justine is the owner of Stina Foods, which has six employees and sells porridge in supermarkets across Uganda.

Interviews

Interviews were semi-structured and based on relevant themes captured in key sustainability guidance/tools, such as: ISO 26000 (ISO, 2016), the Global Reporting Initiative (GRI, 2013), the United Nations Global Compact (UNGC, 2015). The themes covered are:

-  JOB SECURITY AND USE OF CONTRACTS
-  FAIR REMUNERATION
-  ADEQUATE LEAVE
-  HEALTH AND SAFETY
-  OPPORTUNITIES FOR MEANINGFUL WORK/PERSONAL DEVELOPMENT
-  EQUAL OPPORTUNITIES



Today's Schedule

Meet Justine

SECTION 1:

What do the current jobs that entrepreneurs offer look like and how does this compare to the Decent Work concept?

Job security and use of contracts

Key findings:

1. Most entrepreneurs did not proactively use contracts. Relationships are verbally agreed and rights are based on common experience and practice.
2. Where contracts were used, the entrepreneurs had received training and experienced the benefits of contracts and were using them as a management tool.
3. Job security varied depending on industry type and the predictability of demand.

In the highly transient state of the informal sector, the use of contracts is an important feature of employer-employee relations. They set out the expectations that each party has of the other, making clear what the scope of work is and the terms that surround it. As such, contracts can protect each party's interests (e.g. salary expectations, regularity of work, disciplinary procedures, lines of management) and specify where/when grievances can be raised if those expectations are not met. As such, they help to preserve a balance of power and without them, employers can treat employees how they like with few protections or options afforded to the employee.

Most businesses interviewed did not use contracts with their employees. Entrepreneurs explained this with various justifications. One was that many employees can't

speak English or read, which makes requiring them to sign a formal document difficult. Other entrepreneurs suggested they didn't want to give employees the power of an agreement:

“Remember, in a contract you have to give the other side the rights to do what they want too.”

Our research suggests that in the informal sector most practices are based on common behaviour. Entrepreneurs and workers learn through observing and copying what others do. This was the case with contracts. There was no common practice of offering contracts, and contracts were not well under-



stood from both an employee and employer perspective. Agreements were overwhelmingly verbal and based on trust and reputation. There was a fear and lack of understanding of contracts, and in one case where contracts were used, they were still largely ignored by the entrepreneur and employees.

The two outliers were Judith and Collins. Judith was introduced to the idea when starting a nursery for foreign children in Mbale. Parents recommended the idea and now Judith has all her staff sign at the beginning of each school year.

Judith sees the contract as a way for her to set out rules and expectations: “someone has to be committed to work, must be willing to work, must keep time, no absenteeism without permission, no tribalism here,

no alcoholism.” She also uses the contract as an incentive for good performance as the contract only lasts one year. Therefore, to secure another contract her staff have to perform: “I have to limit [the length of the contract] to one year, because if you don’t limit, someone just takes things for granted.”

Collins expressed a similar opinion, however also noted that the contract could be used to protect the worker as well: “We say the contract can always be terminated just in case we have issues with the employee, then also we give the employee the right to have the contract terminated in case he wants to quit”. For Collins, he learnt about contracts while employed at Bam, the largest supermarket in Mbale. Collins also worked with Balloon staff who supported with him to design and implement contracts for his employees.

Both of these cases show a potential path to introducing contracts more widely. Where entrepreneurs have experienced contracts, and have had education and support to introduce them, they have seen value in them and continued to use them as a management tool with staff. However, these cases are still the exceptions and if employee contracts are considered a pivotal foundation of decent work, laying out the expectations of each party and serving as an instrument to hold them to account, there is much work to do.

Another interesting finding was around job security, which seemed to depend on the nature of the business. For example, teachers, retail and restaurant workers and others in the service industry worked relatively regular hours and

received regular payment. In industrial and agricultural jobs, however, most labour was casual, short-term and irregular with employees paid based on output with job opportunities varying day to day in line with demand. This split of regular to irregular work seemed to be due to the predictability of demand. Judith could offer teachers regular pay because she had certainty of demand. Each day she knew she had to employ teachers to take classes. Industrial workers, on the other hand, would only have work if there were orders to produce. This is a challenge and suggests that the only way to create secure work is to smooth demand and create a regular requirement for workers. Similarly, it points to a need for good cash flow management to build up reserves to pay workers during the quiet periods.

Key findings:

1. Salaries are agreed through negotiation with employees and vary substantially based on the role and responsibilities given to employees. Non-skilled labour and starting salaries were broadly low.
2. They can be paid monthly, weekly or daily depending on the work and the needs of employees.
3. Most entrepreneurs also offer a range of benefits outside of salary (e.g. meal provision) to enhance the overall package that they provide.

It is expected that people will be fairly remunerated for their contribution in the workplace. Remuneration includes financial (e.g. salaries and bonuses) and non-financial elements (e.g. provision of meals or transport to and from work). There is an expectation that employers will actively review remuneration against what is considered acceptable in the given community and context, rather than settle for the lowest amount that they can offer. Remuneration should be distrib-

uted in a timely manner and should not be withheld for any reason unless in line with local regulation or any agreements held with the employee.

Remuneration was the most often referenced theme by entrepreneurs. Salary was a big part of this, however, in some cases remuneration went beyond financial benefits to include free meals, healthcare payment and other provisions.

Salary

Starting with salary, these varied based upon the position, experience and time working for the company. Monthly salaries ranged from 50,000 UGX per month (\$13) for non-skilled labor to 500,000 UGX

per month (\$133) for manager roles. Most starting salaries began paying between 100,000 UGX and 150,000 UGX per month (\$27 and \$40). This starting salary was always determined with a sit-down negotia-



You know the tendency of Ugandans is that when he knows he is going to be paid in a month he can even start dodging to do the work knowing that at the end of the month he will get his money, so they have that problem.

tion between the employer and employee. Entrepreneurs reported that they would agree salaries based on what others were offering. It appeared that this strongly favoured the entrepreneur due to high unemployment and low wage inflation. As much of the work was seen as unskilled entrepreneurs also didn't feel a pressure to retain staff through good salaries with staff rarely seen as creating a competitive advantage in the business. Many also reported an inability to increase wages due to financial struggles in the business. This largely explains the low wage levels. It is worth noting that the average salaries recorded were below the World Bank's \$1.90 per day poverty line demonstrating the struggle of even employed workers to survive.

Often employees were paid less than ini-

tially desired, but an understanding was reached that their salaries would increase over time or as the business grew. For example, at Good Foundation, Judith pays her teachers a starting salary of 150,000 UGX and increases them each year by between 10,000 UGX and 20,000 UGX. The staff also have the opportunity to receive bonuses: "If I see them so committed, they are bringing in new ideas, in those situations, when there is money, I give, just to appreciate them on top of their salary." There were various examples of the flexibility of pay. Employers were happy to give advances where necessary. It was not uncommon to hear of an employer paying a week's salary upfront if the employee was tight on cash and promised to work for it. Other employers would pay their workers daily if they could not wait until the end of the month for payment.



When asked about withholding or reducing pay, there were some examples of entrepreneurs doing this as a management technique. At the Rolex Joint, Barbara will reduce her employee's monthly salary if they take absences which have not been agreed in advance or are unaccounted for. Other entrepreneurs also threaten to reduce the salaries of the entire department if items are stolen. Encouragingly, illness was never considered suitable justification for reducing or withholding payment.

The only occurrence of non-payment was when entrepreneurs did not have enough cash to make the payments. This seemed to be a relatively common practice with business cashflows very variable and seasonal. Fluctuating cashflows also explained the widespread commission-based model where employees were paid for work done. This gave the entrepreneurs flexibility to increase and reduce headcount based on demand at no cost but offered the workers little security around their income.

Non-financial benefits

Beyond salary, we discovered many non-financial benefits that employers offer to support their staff. Most entrepreneurs understood that the wages they pay sometimes make it difficult to make ends meet. To compensate for this, many will provide additional benefits to employees including food and transport. Charles provides breakfast and lunch for all employees, while James and Saleh provide lunch. Similarly, Saleh will reimburse his

employees for travel to work and at Good Foundation, teachers are allowed to use the school van to transport themselves to and from the school.

Many employers took this one step further by partly paying for, or arranging, housing for their employees. When Judith hires young teachers, who can't afford the rent in town, she will split their monthly bill to help them get on their feet. Saleh has

many employees who are struggling and some live in extra rooms in his home.

Other entrepreneurs helped employees with financial management. In both of Meddie's businesses, employees have created different forms of saving groups. They use this to purchase taxis or to send their children to university. Another savings group has been used to support employees build homes, acquire livestock and buy farming equipment. The savings groups create tremendous opportunities for the members and are a valued feature of employment in these businesses.

Education was another area of support offered by some entrepreneurs. Elijah grew up in a family of nine siblings and was forced

to work in order to pay for his education. He never had the opportunity to attend university and understands the challenges facing parents who can't afford to pay for their children's education. He has fully paid the school fees for some of his employees' children. Other entrepreneurs also described how they pay for school supplies or annual fees.

Overall, the widespread offering of non-financial benefits was positive as it shows a concern for the welfare of staff. Entrepreneurs broadly understood and were sensitive to the struggles of surviving on low wages and made efforts to use the little resources they had to offer support. This shows the importance of understanding the total benefits package offered in the informal sector.

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The one in sales, his wife gave birth to a premature child and he didn't have money, so he came to me and needed my help so I just gave him the money. It didn't come out of his salary.

Adequate leave

Key findings:

- 1. Annual leave as a legal entitlement did not appear in the interviews.
- 2. Despite this, entrepreneurs reported that they offered paid sick leave to those who had proof of their illness.
- 3. Similarly, entrepreneurs made arrangements for employees to take paid leave for specific purposes (e.g. visiting family).

Adequate leave includes statutory annual leave and time off for sickness, bereavement and maternity/paternity. It allows individuals to have meaningful lives outside of work, whether that is taking a break, recovering from illness, caring for dependants, pursuing additional education or building other livelihood opportunities. Employers should allow employees to take paid leave, in compliance with the law, and ensure that doing so does not affect their employment or promotion opportunities within the organisation.

Although annual leave as a concept was not common, most entrepreneurs interviewed made provisions for their staff to take paid leave for specific reasons. Sick leave was often referred to, with the majority of employers happy to support staff. None of the businesses with monthly salaries reduced pay

for an employee who was sick and couldn't come to work. Justine explained, "If they are sick and they have proof, even if they were sick for week, they still get paid." Some entrepreneurs would not only continue paying their salary, but also help cover their medical bills. Saleh has many employees from poor backgrounds and when they get sick it is often clear they will not be able to pay for the necessary treatment.

“Currently we have two employees whose health is not good, but as a company, we’ve taken it upon ourselves to cover their medical [fees], but also to continue paying them and to cater for their family.”

Another case for taking paid leave was to visit families. Once again, most employers understood the need for this and supported employees to visit their families while on paid leave. Collins allows his head baker to periodically visit his family and still receive a full paycheck. Elijah grants his workers up to a week's paid leave to visit family.

In general, the idea of a fixed amount of leave for employees to take at their discretion did not exist in the businesses that were interviewed.



Key findings:

1. Entrepreneurs mainly took a reactionary approach to health and safety rather than preventative.
2. The only exception was the provision of personal protective equipment (which was not always provided) and training.
3. Entrepreneurs feel a responsibility for keeping their staff safe, paying for health and safety provisions as well as for medical bills if someone was injured during work.

Health and safety at work concerns the promotion and maintenance of the highest degree of physical, mental and social well-being of workers and prevention of harm to health caused by working conditions. It also relates to the protection of workers from risks to health and the adaptation of the occupational environment to the physiological and psychological needs of workers. It is typically thought of in three stages. First, prevention, which tries to eliminate or reduce the risk of injury or illness (e.g. risk assessments, training, routine audits). Second, protection, which reduces the impact of certain risks which cannot be removed or reduced to a safe level (e.g. protective equipment). Finally, remediation, which is the treatment and recovery of any worker who is injured or falls ill as a consequence of work.

We found that the typical approach to hazards is largely reactionary rather than preventative, indicating room for improvement. In general, however, employers felt responsible for their employees' health and safety.

A good example is James. He provides internal training for new hires on the correct use of large machines as well as the personal protective equipment they should wear. Although, highlighting one of the challenges with maintaining health and safety standards, he noted: "I normally provide but sometimes they run out of stock. That protective gear we always get for them but now they are just out of stock." When workers sustain injuries, James continues to pay their salaries.



We always treat. When he gets a machine accident, even if he's at home, he will always get payment because he got the accident from the work. We continue as if he's been earning fifteen thousand until he gets fine.

James also provides treatment with a local doctor at a clinic in town.

In other cases, the cost of providing health and safety equipment was prohibitive. At Lugabile, workers cut tires with sharp knives all day - the risk of injury is therefore high. When new hires begin working, they are trained by the managers of their department. The workers have requested gloves and overalls, but Meddie explained the cost was too high. In the current setup, the equipment comes out of the worker's daily salary and as a result, almost no one wears gloves. However, Meddie will also assist in paying medical bills when injuries occur.

Ultimately, health and safety provision is limited to training and protective equipment (at best). Other elements of the health and safety process (e.g. risk assessment, continuous improvement, a health and safety policy) are all missing. Substantial upfront costs and equipment theft seem to be deterrents from investing in health and safety. At the same time, there seemed to be a lack of understanding over whether a reactionary approach actually costs less money as most employers would still cover wages and treatment costs for injured employees.

Key findings:

1. There is an understanding that entrepreneurs can play an important role in developing the workforce and the community through offering opportunities.
2. Most entrepreneurs try to help out those from disadvantaged backgrounds through employment.
3. Workforce development initiatives are limited to the entrepreneur’s ability to pass on any skills or knowledge rather than structured learning around the needs of the employee.
4. Similarly, the process of work was not seen as an opportunity for development (e.g. through feedback, setting stretch goals, etc.).

It is well recognised that work can be a sizeable contributor to human development. Employers can use workplace policy and initiatives to increase the capacity and employability of individuals (e.g. training, coaching, job rotation). Employability refers to the experiences, competencies and qualifications that increase an individual’s capacity to secure and retain decent work. At the same time, employers can use the process of work as a vehicle to provide meaning to an employee’s life and as a platform for development (e.g. providing challenging work, continuous feedback, stretch targets).

Many of the entrepreneurs recognised the need to develop the workforce and offer

employment opportunities to members of their community. Meddie often hires orphans and school dropouts who are looking for work. He tries to create a positive environment for his young workers to keep them out of trouble, having created a company football team and an informal savings group to help them reach their financial goals. Similarly, James also tried to reach out to disadvantaged youth:

“I have a team of disabled people, deaf people, about 6 of them. I am working with them, so we don’t leave them out”.

As well as providing job opportunities, many entrepreneurs try to nurture their more junior staff by providing key lessons such as: “you must be committed to the work” or “you are only paid for the work you have done.” At Casa, Saleh discussed helping his staff access jobs elsewhere through his support:

“Usually I give priority to young people who have goals they want to meet.”

After coaching them while they are employed at his business he helps them to get jobs at bigger restaurants and hotels in town. When they are successful, Saleh is proud and sees this as evidence he is training his employees well.

Yakubu hires poorly educated and often illiterate workers in his fields. After successfully growing his farm from one to seven acres, he wants to help others do the same. He encourages his employees to save a little from each salary and use this money constructively towards new opportunities. “There was one boy I was working with from a very poor family actually, but we are now almost of the same

level. I told him, I need to see you moving ahead more. He started with nothing but it was through those little savings he was making that by the end of the season he also started hiring one acre, two acres. He’s now hiring four acres. He took up my advice, but I also feel great.”

Where initiatives did exist in this space, they stemmed largely from an entrepreneur’s personal experiences. This is encouraging as it shows a concern for the welfare of others in the community and the ability of businesses to create positive change. However, we also observed that initiatives were unstructured and not based on a framework for development or employee’s needs but more on what opportunities the entrepreneur could provide based on their skills and resources. This lack of structure seems to reduce the opportunity for people to develop at work. For example, the majority of businesses interviewed didn’t have basic job descriptions for their staff laying out clear responsibilities. Similarly, there was very little feedback and performance management to help staff improve. And routes for promotion and progression were not discussed and clear. Therefore, the use of work to develop and provide meaning to employees was observed widely, but outcomes could be improved through more structure and intentionality.

Key findings:

1. The main theme that entrepreneurs discussed was gender.
2. While entrepreneurs claim to be unbiased towards genders, there are clear stereotypes that exist regarding each gender.
3. These stereotypes influence what roles each gender can access.

For truly sustainable development to take place, the workplace should be inclusive of people from all backgrounds. Employers should ensure that decision making within the organisation is not biased towards or excluding of certain groups. This ensures that key decisions including recruitment, remuneration, promotion, development, disciplinary and dismissal, are fair and non-discriminatory.

In these interviews, gender roles emerged as a significant theme. While almost all entrepreneurs were open to employing both males and females, there were attitudes and beliefs about the roles that each could undertake. Men were typically thought of as more hardworking and better at manual labor but required more

oversight than women. Women were seen as more trustworthy and with a close attention to detail, but also more likely to provide excuses for work left unfinished.

These cultural norms and implicit beliefs affected hiring decisions. At Good Foundation, there is only one male teacher and despite efforts to hire more men, Judith feels that they don't nurture and comfort the kids effectively enough to create a healthy learning environment and claims that parents feel the same way. Meddie said he had no preference for males or females at Lugabile but stated that driving a taxi is a man's job which is why most motorcycle taxis (boda-bodas) are driven by men. Some entrepreneurs focused more on hiring women because they believed

they needed extra support, especially if they were young mothers. For example, Saleh noted:

“You’ll find girls aged 16 to 23 and most of them are already mothers. They have kids to look after, they are paying fees, they are looking after their mothers and those make up a big number of my staff. You realise they really need help.”

Similarly, Justine noted:

“Personally, as Justine, I look at developing fellow women.”

Ultimately, although entrepreneurs claimed to be unbiased in their employment decisions, it is clear that gender stereotypes affect certain decisions. There seemed to be a general awareness that equality is important and so understanding isn't the issue. More is needed in terms of enabling entrepreneurs to spot when biases are creeping into decision making and how they can remedy this.





SECTION 2:

What is preventing entrepreneurs from improving the jobs offered to their employees?

Understanding current working conditions is a great start but if the aim is to support the creation of good quality work, then we need to also understand the current barriers and constraints on entrepreneurs.

Various themes emerged regarding the barriers to promoting decent work through this research. These could be broadly grouped under the following three headings:

1. *Limited financial resources*
2. *A lack of understanding of the issues or how to address them*
3. *A lack of trust with staff*

1. Limited financial resources

At the core, a business needs profits to pay its staff fairly. But running a business in the informal sector is often challenging from a financial perspective.

The constant fear of running out of capital immediately decreases the likelihood that business owners will provide additional benefits and better jobs to their employees.

Even the entrepreneurs who acknowledge that their employees should be paid more, cannot increase salaries for fear of bankrupting the business.

We also observed challenges caused by the volatility of demand. In many businesses, it's hard to forecast revenue making it a risk to offer guaranteed employment. Challenges in good working capital management also meant that businesses were often starved of cash for wages, even though sales were good. These cash challenges also created a reluctance in entrepreneurs to invest in non-revenue generating staff which in a sense reinforced the issue. For example, most businesses interviewed expressed a need for better financial management to manage cash flow cycles and move away from a boom and bust cycle, but few were willing to invest in skilled staff to do this. Entrepreneurs were willing to invest in staff

that would bring a financial return in the short term, for example, sales or production staff, but building a strong management team that would potentially support longer-term growth was deemed too risky.

Moreover, investing in decent work is even more problematic because an employer who chooses to do so may struggle financially

compared to their competitors if competitors are not making the same investments. Furthermore, the high supply of labour coupled with the few jobs available creates an imbalance in the entrepreneur's favour. There is, therefore, no pressure to increase wages with little risk of employees leaving for higher paid jobs.

2. A lack of understanding of the issues or how to address them

For some entrepreneurs, there was a clear lack of understanding as to why these issues were important or how to address them. This can be attributed to several factors.

Notably, there is a lack of education (especially business education) in the informal sector. The importance of many of the elements of decent work (e.g. wages, health and safety, employee relations) are covered in best practice business management education and training, during which entrepreneurs are introduced to how providing decent work contributes to better business

outcomes. The lack of education among the entrepreneurs we interviewed is primarily driven by a shortage of high-quality providers and an inability to dedicate the time and money to education given their financial situation and work commitments.

Given the lack of education around best practice, entrepreneurs adopt practices based on community norms. This creates a cycle where current poor conditions are reproduced. Interestingly, entrepreneurs who were taking extra steps to provide decent work to their employees did so because they had ex-

Most entrepreneurs create working conditions for the employees based on what they have experienced and seen. Wages, rights, benefits are all based on common practice and business culture.

perienced first-hand what it was like to be on the receiving end of unfavourable working conditions. This indicates that a helpful precursor to providing decent work is to be able to empathise with employees who are struggling with unfavourable working conditions.

A final point is the culture of the informal sector dictates the need for quick cash, which creates a very short-term business culture. Employers are happy to pay for medical bills but

3. A lack of trust

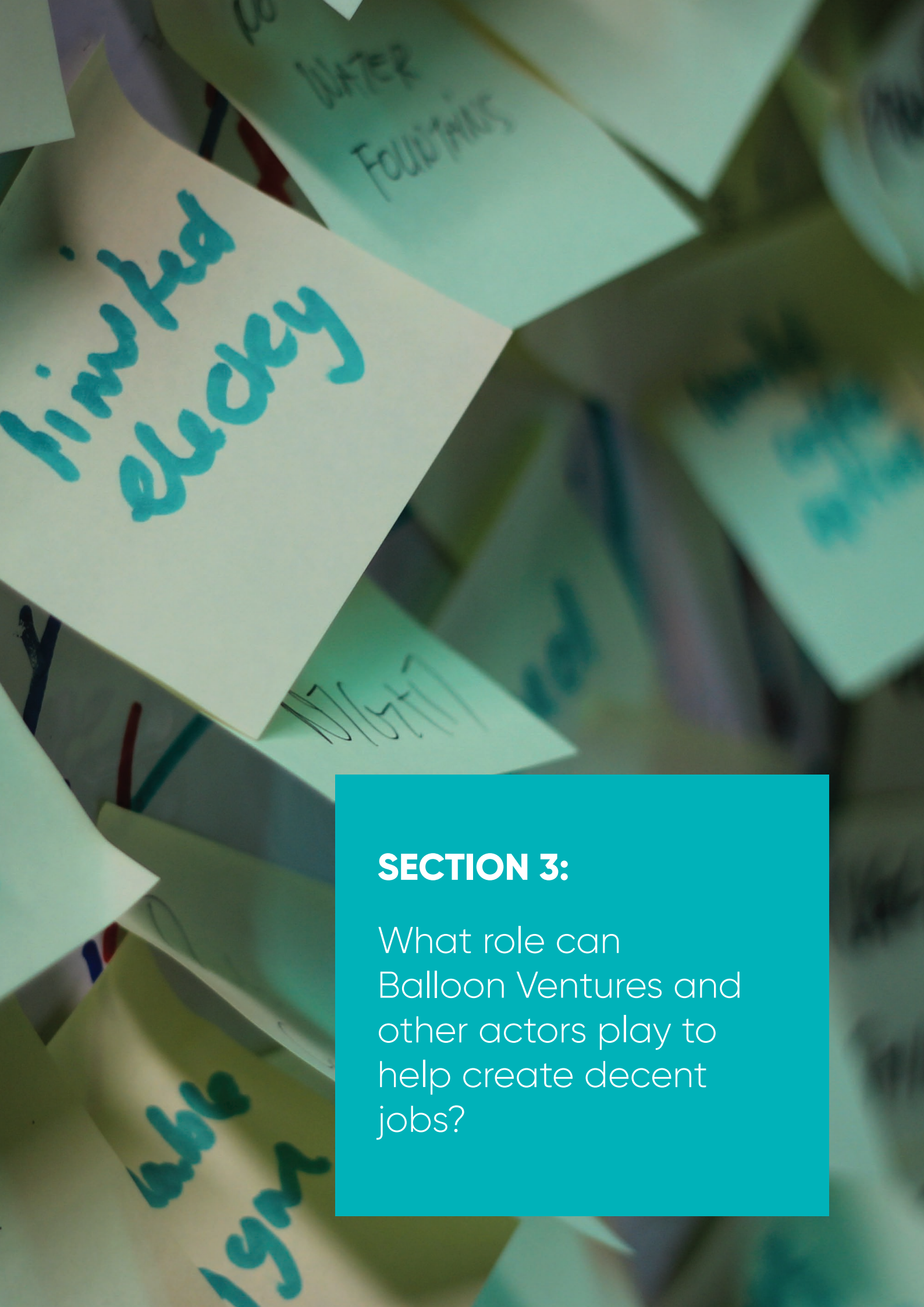
One of the largest challenges that all of the entrepreneurs face, affecting every policy and benefit provided to employees, is a lack of trust. The circumstances in the informal sector mean that breaches of trust are very common. Given we spoke solely to employers, we only heard one side of the story but it's likely that it goes both ways. Examples include Justine's newest staff member breaking into her office and stealing her equipment and cash or Yakubu's employees stealing rice during the harvest.

In this environment, it is difficult for employers to consider offering more than basic provisions to their employees for two reasons. First, these breaches of trust tend to cost a lot of money, reducing the available money for providing decent work. Second, this creates an environment where employers feel their employ-

ees don't invest to provide adequate safety gear to prevent the injuries in the first place. Similarly, employers complain about challenges to business growth due to high turnover rates and low-quality staff but do not invest in creating a positive workplace with training and development. Therefore the immediate problem is often solved without getting to the root of the problem to create a more sustainable and long-term solution.

ees don't deserve the benefits of decent work because they are not honest and committed to the business.

We observed that this also reduces the growth potential of businesses because they do not recruit suitably skilled and experienced staff for roles as their focus is on trust. Therefore, they rather recruit from within the family or their closest networks to find someone that they can trust, rather than search for someone who is actually qualified to do the job well. Many entrepreneurs complained that they couldn't find good staff despite the high unemployment rates and job seekers. Therefore much work needs to be done to build this trust between employer and employee as a foundation to create decent work.



SECTION 3:

What role can Balloon Ventures and other actors play to help create decent jobs?

As noted, promoting decent work is an important development objective. There is a general tendency to think that formalisation is the solution to decent work provision. However, as noted earlier, approaches to formalising businesses at scale have largely failed. Furthermore, our experience suggests that there is only a very loose relationship between whether a business is formal and whether it provides decent work. By becoming formal, they are subject to a greater set of requirements, but that is no guarantee that they will act on what is required. Many entrepreneurs actively avoid legislative requirements and contracts and formalisation offers poor guarantees of decent work in an economy where regulation is infrequently and inconsistently applied.

Legislation only serves as a driver for behaviour change if businesses perceive a threat of enforcement which would materially affect their business. In the areas of the economy where we work, it is unlikely that this exists.

Inspection activity is generally quite low and even in the event of an enforcement action being threatened, poor quality of the inspectorate and corruption mean that many issues wouldn't ever make it to official sanctions.

Instead of this somewhat simplistic way of viewing the solution, we see a different role for Balloon Ventures and other organisations seeking to create decent work.

This research suggests that taking a bottom-up approach and working closely with entrepreneurs to overcome the barriers described above is the most sustainable and efficient way to create change. Solutions can, therefore, be broadly grouped under 3 headings:

1. *Invest in decent work*
2. *Move from cost to value*
3. *Build trust*

1. Invest in decent work

Businesses can only create decent work if they have the resources to do so. Therefore, a critical first step is working with an entrepreneur to grow their business to create the financial resources to invest in staff. Often this will require a financial investment from an external organisation to enable the business to purchase assets, resources and

other investments for growth. However, the impact of money without good strategy and operations is often limited. Therefore support should also be targeted at improving the running of the business. As profits grow and cash is managed well, businesses will grow their reserves to offer secure, well paid, decent work.

At Balloon, we grow businesses to create decent work. We have built a Good Jobs Framework to embed as a central component of our investment to guarantee that as the business grows, good jobs are created. But we have

2. Move from cost to value

Providing decent work starts with an attitude and approach to job provision. Entrepreneurs need to understand the benefits of decent work and truly believe in implementing workplace policies and initiatives with decent work at the forefront. They need to begin to see decent work as a competitive advantage and source of economic value for the business.

Our approach is to partner with businesses over a number of years to cultivate a view that decent work can drive business success and financial performance. We do this by leveraging our position as a trusted business partner to share new ideas and concepts to the entrepreneur (e.g. the economic value of preventative health and safety measures).

There is a certain linearity to promoting decent work that begins with establishing work contracts. Through this research, it was discovered that entrepreneurs that have implemented contracts do see them as constructive for both parties but clearly more education and support is needed. Rather than being forced to implement contracts, entrepreneurs need to see the benefit of good human resource management. As well as protecting

learnt too that this approach only works if the entrepreneur can see clear revenue growth. Without this, the requirements for decent work can seem onerous and unsustainable.

the employee, a good contract clearly sets out the expectation that the business has for that person and sets clear goals and performance management. As a result, well managed contracted employees should perform better and in the long term create more value for the organisation.

This will also go some way to solving the problem of low productivity in the informal sector. McKinsey research indicates that globally, “informal players operate at just half the average productivity level of formal companies in the same sectors and at a small fraction of the productivity of the best companies. As a result, informal companies persistently drag down a country’s overall productivity and standard of living.” (Farrell, 2014)

The same approach applies to health and safety, personal development, leave, salary, and equality. If these are presented as costs and forced upon entrepreneurs then the chances of success are low. However, if through a long-term relationship an entrepreneur comes to see the value and business imperative of offering decent work, then a sustainable change is much more likely.

3. Build trust

It is unlikely that attempts to provide decent work will get very far if a trusting relationship between employer and employees cannot be nurtured. For example, through our research, we encountered a situation where an employer had offered a contract to a new employee but was refusing to honour it because they believed the employee was stealing. Therefore, without trust policies can exist without being implemented, which further deteriorates the relationship between the two parties.

This is a hugely complex issue and there isn’t one obvious and quick solution. However, a number of interventions have the potential to improve the situation. Good recruitment is a critical first step. If entrepreneurs create proper job roles and recruit diligently outside of their immediate friends and families, then they stand a higher chance of finding an employee well suited to the role. Secondly, having found the right employee, they need fair and regular payment. It was suggested to

us that people are much more likely to steal or perform poorly if they aren’t fairly paid. Therefore the employer potentially has to take the first step, and find a suitably qualified person and pay them well to do a job. Thirdly, proper controls need to be established. Without controls on finances and good performance management, a relationship solely relies on trust. Trust is important but it needs to be underpinned with good management and processes. Where this was done well, we saw examples of employees performing better and cases of theft significantly reducing. At Balloon, we are implementing the above solutions through long-term relationships with entrepreneurs but there are likely other interventions to build trust not discussed here. Crucially, trust has to be reciprocated and entrepreneurs may need to take the first step to establish trust by delivering on their promises and treating workers well. This will also be a key differentiator in the market allowing them to recruit and retain the best talent to grow their business.



Unfortunately, I’ve been getting these girls so easily and so they go so easily. Because I don’t do a real thorough background check when I’m hiring them. Now, since this girl stole, it has been a very good learning point for me. I can make adverts through my friends. People should apply with written letters and references from their former employments.

Conclusion

The majority of jobs in Uganda are created by entrepreneurs struggling to survive with 75% of these workers operating in the informal sector. This means that 75% of the population work in jobs that are often insecure, low wage and unsafe. This trend is repeated across Sub-Saharan Africa as the informal sector booms to provide an income to the millions of youth entering the job market. With Africa's 'youth bulge' this trend is only likely to increase as more and more young people fail to find formal employment.

In this context, there is a critical need to understand more about the practices of the informal sector in order to strive for decent work for all.

Our research validated some of these fears around informal sector employment. We found that workers' rights were largely based on trust and verbal negotiations without the use of contracts. Pay was often low and infrequent as the businesses struggled for money to pay their workers. Health and safety provision was largely reactionary rather than preventative.

However, on a positive note, we found many examples of entrepreneurs doing more than the minimum to support their

workers. Examples included offering paid sick leave to unwell employees; offering employment opportunities to those from disadvantaged backgrounds; providing work benefits like free accommodation or free lunch; or focusing on gender empowerment by targeting women for certain roles. This is positive grounds to engage with entrepreneurs to improve the quality of work for their employees and it is encouraging to see entrepreneurs showing genuine concern for the welfare and wellbeing of their employees.

In terms of barriers to providing better work, the three main barriers that emerged through the research were: a lack of resources, poor understanding of the challenges and potential solutions, and a lack of trust between employer and employee. Finally, we suggested a number of interventions that Balloon Ventures and other similar organisations can adopt. Firstly, businesses need to be supported to grow so they can afford to offer decent work to more people. Secondly, education is needed around the benefits of decent work so entrepreneurs see its potential long-term value rather than just the cost. Finally, initiatives need to be developed to build trust between employer and employee through better recruitment, performance management, controls, and payment.

The research conducted for this paper focuses on employers and their policies, generating valuable insights. Future research can look to validate these by considering a broader base of stakeholders. Interviewing the employees would be an important next step to determine if the environment described by the employer matches the experience of the employee. When examining the issues surrounding trust in the workplace in general, the responses of the entrepreneurs must be taken with healthy scepticism.

In addition to understanding what is happening on the ground, it would be important to understand why it is happening in greater detail. In other words, what are the drivers that lead to the creation of decent work? A greater understanding of this would be instrumental in developing

effective policy and practical interventions to improve decent work in the informal sector.

Finally, in later research, it would be worthwhile to increase the geographic area studied to see if broader conclusions can be made. An added dimension to this is to compare rural with urban areas to explore how dynamics in these areas influence practices around decent work.

Balloon Ventures is passionate about helping entrepreneurs to grow businesses that create decent work. The scale of the problem of poor quality work is huge and is a major barrier to inclusive economic development. We welcome discussions and partnerships with other organisations to help tackle this massive social issue. Please get in touch at info@balloonventures.com



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