

# REPOA *Brief*

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## Children's Involvement in Small Business: Does it Build Youth Entrepreneurship?

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This brief summarises the findings of a study conducted in Dar es Salaam, Tanzania in 2006 that examined how children's work in small businesses impacts the development of their entrepreneurship. The study revealed that the participation of children in small businesses is largely influenced by push factors, particularly the lack of educational opportunities and alternative occupational activities. However, the small businesses had, in the short run, little influence on the development of children's entrepreneurial talents, though a proportion of respondents felt that the businesses were educative. Limited ownership, lack of participation in decision making and low levels of satisfaction in their businesses were cited by most children interviewed. All of these factors act as impediments to entrepreneurial development.

Three major policy implications emerge from the study's findings. First, access to secondary school needs to be expanded and complementary strategies devised to keep children from dropping out of school. Second, existing educational and youth employment policies and small business development strategies should be integrated to ensure that children are given adequate life and vocational skills to support themselves when they leave school. Third, the government and communities need to nurture and support the aspirations of young people.

### Introduction

The increasing involvement of children in small businesses<sup>1</sup> in Tanzania has raised concerns over the effects of child work, not only on the development of children's intellectual capacity, but also on their future entrepreneurial life. Issues such as the length of time spent by children on work activities, the effect of child work in small businesses on their school participation, and the impact of work on their entrepreneurial talents all need to be addressed. Although some children are working as employees of businesses, most are

working on behalf of their families, often prompted into the work by their parents (Sidiqqi & Patrinos, 2005; Syed et al., 1991).

Previous studies on children's involvement in small businesses have tackled the question from a negative point of view (for example, Jensen & Nielsen, 1997; Akabayashi & Psacharopoulos, 1999; Heady, 2000; Ravallion & Wodon, 2000; Ray, 2000, 2002). It is critically important, however, to understand the role and impact of child work in nurturing entrepreneurial talents from a positive

<sup>1</sup> As per Mnenwa and Maliti (2005), a small business is defined as a business employing between 1 and 10 persons.

**Table 1: Respondents' schooling status**

Status	Own the business		Do not own the business		Total	
	No	%	No	%	No	%
Completed school	44	65	37	44	81	53
Dropped out	16	23	42	50	58	38
In school	8	12	4	5	12	8
Never attended	0	0	1	1	1	1
<b>Total</b>	<b>68</b>	<b>100</b>	<b>84</b>	<b>100</b>	<b>152</b>	<b>100</b>

viewpoint. Given that economic hardship among many families is likely to continue, appropriate policies and strategies are required to protect and improve the circumstances of children currently working in small businesses, and, for children in schools, to either keep them in school or prepare them well for employment, especially self-employment. The current research, therefore, examined three topical areas:

- i) the economic, psychological and social factors that had prompted children into small businesses;
- ii) the contribution of small businesses to entrepreneurship development; and
- iii) selected factors influencing development of entrepreneurial skills among children, such as business type, ownership rights and profit appropriation.

### Methodology

Primary data were collected through face-to-face interviews with 152 children working in small businesses in the three administrative districts of Dar es Salaam: Kinondoni, Temeke and Ilala. A semi-structured questionnaire was used for the interviews. Of the total sample, 119 respondents (78%) were male and 34 respondents (22%) were female. Data captured from respondents were also disaggregated based upon whether they owned the businesses they ran. Of the total sample, 68 respondents (45%) owned the

businesses they were operating while 84 children (55%) did not own their businesses. Data collection took place between 23 January and 15 March 2006. Children were interviewed in various places, including bus stands, streets, markets and schools.

### Key Findings

#### *Factors prompting children into small businesses*

Both push and pull factors were found to compel children into small businesses. The lack of further educational opportunities was one of the major push factors that compelled children into small businesses. Table 1 summarises the schooling status of respondents. It shows that 53% of respondents were school leavers while 38% had dropped out of school.

Only 8% respondents were still in school. These data confirm that upon completion of primary school, most Tanzanian children do not have the opportunity to continue onto secondary school. This is largely attributed to the inadequate capacity of the education system to accommodate the numbers of children leaving primary school, but lack of support from parents to continue the child's education is another critical factor.

The table further shows some interesting findings regarding schooling status and the ownership of small businesses run by children. Data show that among children who owned their

**Table 2: Children’s motivations for engaging in small businesses**

Status	Own the business		Do not own the business		Total	
	No	%	No	%	No	%
Income/salary	56	69	68	69	124	69
Economic survival	19	23	21	21	40	22
Help parents	5	6	10	10	15	8
Don't know	1	1	0	0	1	1
<b>Total</b>	<b>81</b>	<b>100</b>	<b>99</b>	<b>100</b>	<b>180</b>	<b>100</b>

businesses 65% had completed school, while among children who did not own the businesses only 44% had completed school and 50% had dropped out of school. These findings suggest that there is a positive correlation between educational achievement and small business ownership; those children who are enabled to complete their schooling have a greater chance of being more entrepreneurial and thus owning their small businesses.

Pull factors, especially economic motives, were also identified as causes behind the involvement of children in small businesses. Table 2 summarises data on children’s motivations for engaging in small businesses.

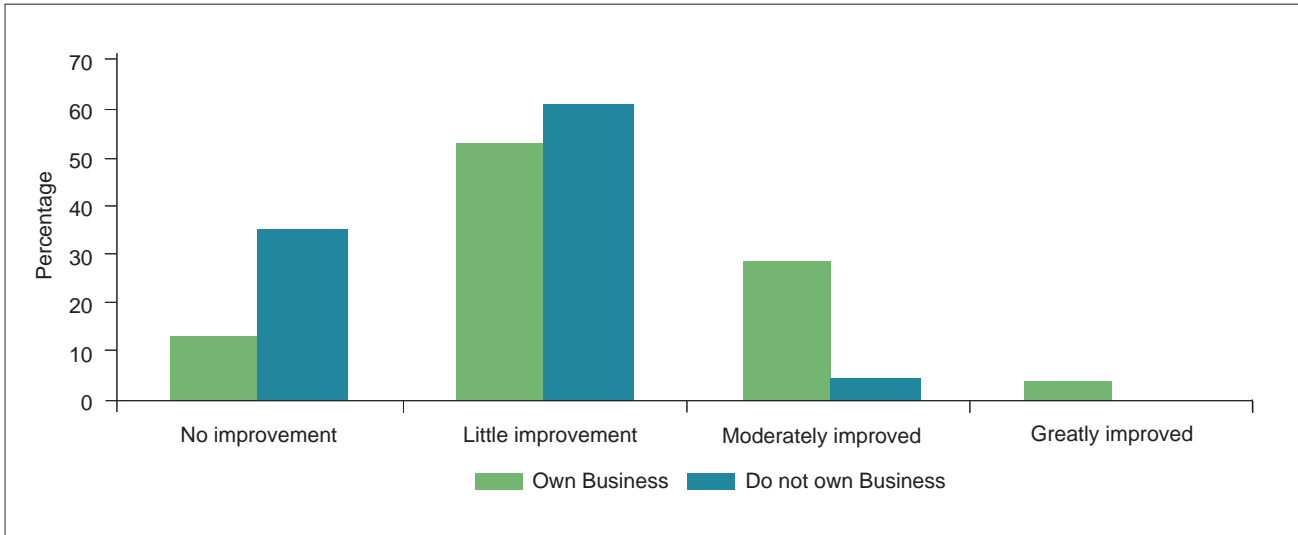
Income generation was the most common motivation (69% of respondents). Apart from generating incomes for their families, children used business income to meet their own financial commitments, such as buying clothes, food and school materials. In addition, 22% of respondents participated in small businesses for economic survival, while a small proportion (8%) participated in small businesses to help their parents. Data indicate that motivations for engaging in small businesses varied little by children’s business ownership. Income generation was most common motive among both children who owned their businesses and those who did not own them.

**Contribution of small businesses to children’s entrepreneurship development**

Small business can contribute to entrepreneurship development in many ways. One way is that children gain business experience. In the course of running a business, they can be expected to accumulate experience and actively learn what they do best and what they could learn to do better, which, in turn, can make individuals more enterprising (Mnenwa & Maliti, 2005).

The study found that most respondents had been operating their businesses for two years or less, which is a relatively short period in which to gain business experience. Indeed, Figure 1 reveals that most children considered that there had been little or no improvement in their level of business capabilities over the period they had operated their businesses. Some differences, however, were noted between children who owned their businesses and those who did not own them. A larger proportion of respondents who did not own their businesses reported no improvement (35%) or little improvement (61%) in their business skill. Moreover, data show that among children who owned their businesses, 29% perceived moderate improvement and 4% perceived great improvement in their business experience, while only 5% of children who did not own their businesses reported moderate improvement and none reported great improvement.

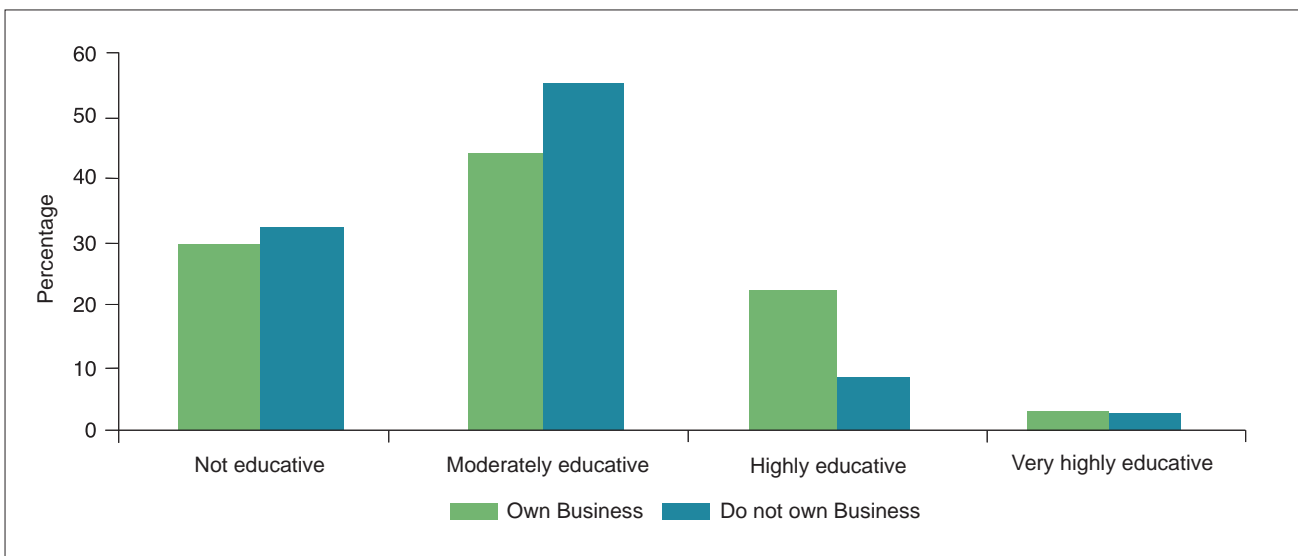
**Figure 1: Respondents' perception of change in their level of business skill and experience**



Findings did though reveal that children working in small business gain knowledge and skills which can be useful in the long run. As part of the interviews, children were given a self-assessment exercise to elicit their views on whether involvement in small businesses was educative. The study findings show that less than one-third (31%) of respondents considered that small businesses were not educative, while 51% considered them to be moderately educative. Only 18% of the children interviewed felt that their businesses were highly or very highly educative.

Figure 2 summarises these data by children's ownership status. The figure illustrates that a larger proportion of children who owned their businesses perceived them as educative. Approximately, 26% of respondents who owned their businesses considered them to be highly and/or very highly educative compared with only 12% of respondents who did not own their businesses.

**Figure 2: Respondents' perceptions on whether their small businesses were educative**



That most respondents felt that small businesses did not impart skills could be partly attributed to respondents' dissatisfaction with running their businesses. Moreover, the acquisition of educational benefits was not one of the respondents' objectives for engaging in small businesses. It should also be noted that the children may not be interested in continuing small businesses in the future. Even if they were interested at present, research has shown that children's entrepreneurial talents are in most cases short-lived (Kisker, 2003). Gutner (1994) also found that as children grow older, many lose the entrepreneurial spark. This is not to say that the skills acquired running small businesses are without value to children. Rather it is important to recognise that the skills gained are generally informal and vary from one enterprise to the next, implying that, without complementary education and training, the knowledge obtained from doing small businesses may remain ad hoc and unproductive.

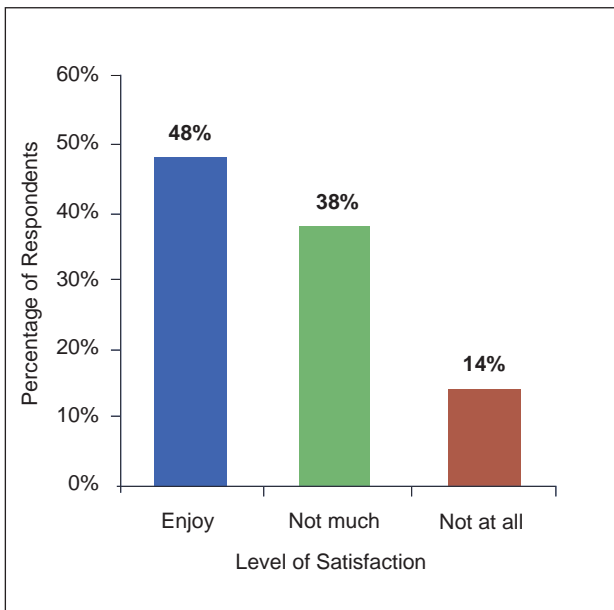
### **Factors influencing entrepreneurship among children**

The study also assessed four factors that may influence entrepreneurship development for children working in small businesses: (1) the source of the idea for their business, (2) business ownership, (3) profit appropriation and (4) business type. Data on the sources of business ideas revealed that 39% of respondents generated their own idea for their businesses, 28% received the ideas from parents, and 29% from friends and relatives. Overall, therefore, a majority of children (61%) received ideas from other sources. This could easily affect children's sense of ownership and motivation in running their businesses which, in turn, may undermine entrepreneurship development. It was further found that almost three-quarters (73%) of children who had generated their own business ideas were also the owners of the businesses, implying that these individuals had been able to develop their ideas for businesses into actual ventures.

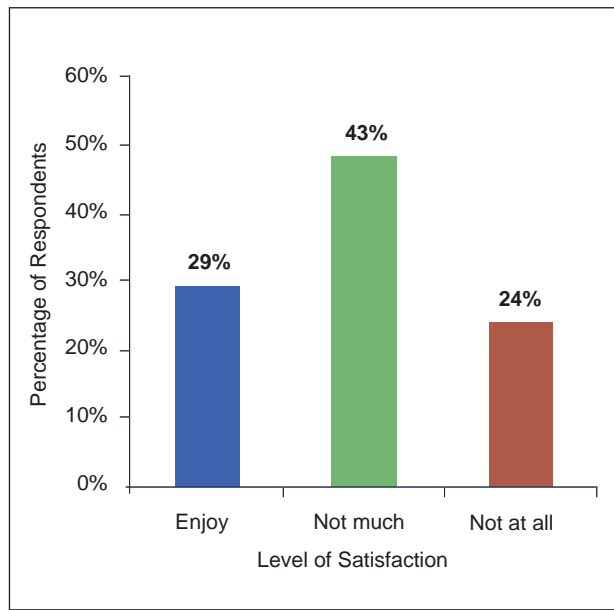
The ownership structure of the small businesses run by the children was also examined. The study found that 45% of the children owned their businesses outright, while a little over one-third (37%) of businesses were owned by parents or relatives, and another 16% were owned by employers. By gender, male respondents were more likely to own their businesses than female respondents. Findings show that over half (53%) of boys owned their businesses compared with only 18% of girls. Most of the businesses run by female respondents were owned by parents or relatives (62%). Overall, therefore, more than half (55%) of the businesses operated by children were owned by other people. Given that the motivation to work hard and succeed in a business is closely associated with ownership rights, the lack of ownership for a majority of children would likely act as a disincentive and undermine entrepreneurial development.

Appropriation of business profits is another important factor in entrepreneurship development among small business operators. The study showed that a large proportion of respondents (43%) appropriated the profit generated, followed by parents (22%) and employers (18%). Overall, the profits generated by over half (57%) of the children's businesses were taken by other people. It was also interesting to find that although 45% of the respondents owned their small businesses, only 42% took the profits generated from their businesses. This could only be explained by the fact that in many families in Tanzania, the head of the household controls all of the income generated by members of the household.

Respondents were also asked whether they were satisfied with the businesses they operated. Figure 3 summarises the responses from children who owned their businesses, while Figure 4 reports response of children running businesses owned by parents or guardians. Figure 3 shows that almost half (48%) of the children who owned their own businesses enjoyed running them, and only 14% of respondents were not satisfied at all.



**Figure 3: Level of satisfaction among children who owned their businesses**



**Figure 4: Level of satisfaction among children who ran businesses owned by others**

On the other hand, children's level of satisfaction in running businesses owned by others was much lower; only 29% of respondents enjoyed running these businesses and 24% reported that they were not satisfied at all. These findings imply, as expected, that satisfaction is closely associated with ownership. Since adoption of entrepreneurship talents is closely related to satisfaction, then ownership of small businesses by children is

likely to have a positive influence on their entrepreneurship development. This finding has an important implication. Given that the majority of children, especially those who do not own the businesses, were dissatisfied with working in small businesses, this would likely negatively impact the children's entrepreneurial motivation and, in turn, their chances of being successful in their business activities and of earning an income to escape the cycle of poverty.

## Conclusions and policy implications

Children seem to have been pushed into small businesses as a result of the economic and social problems they were facing. While this can in part be attributed to the poor economic circumstances faced by most Tanzanian households, it is to a large extent indicative of policy deficiencies regarding education, child development and youth employment.

Findings indicate that small businesses had little influence on the entrepreneurial talents of the children, at least in the short run. Children were also not overwhelmingly impressed by the experiences and educational benefits they accrued from their businesses. Moreover, the children faced constraints in operating their businesses, including limited ownership rights and control, inadequate involvement in decision making, and the frequent appropriation of profits by parents, relatives and employers. It was, therefore, not surprising that children's satisfaction with the businesses was low.

Three major policy implications emerge from the research findings. First, access to secondary school must be expanded to a greater percentage of Tanzanian children. The present education system needs to be reformed to ensure that children stay in school until they are at least 16 years of age. Since dropout rates are high, strategies are needed to keep children in school, including school feeding initiatives, sports programmes, supply of adequate educational materials, and developing more relevant curricula within schools. Frequently, the current exam-based focus of the curriculum is often negatively viewed by parents as being of limited value, so on a cost-benefit approach they pull their children out of school as it is perceived to be no longer worth the investment to support their education.

Second, given that expansion of secondary education will take time, policies and strategies need to be designed to prepare children for life and work after completion of primary school and ensure that they are given adequate vocational skills. Strategies to prepare children for productive employment are currently lacking. A related strategy could be established to involve local businesses in entrepreneurship programmes for children. The government could consider fiscal incentives, such as tax relief for resources used by companies in youth development.

The third policy issue relates to the need to develop an entrepreneurial spirit and culture in Tanzania in government circles particularly and in society generally. There needs to be an urgent and profound shift from a culture that undervalues entrepreneurship to one that does. This will involve changes in attitudes, expectations and perceptions among people of all ages. A social revolution is needed and future research will be required to guide how best to facilitate change. Attitudinal changes are required on how parents, communities and the government view child development and the need to develop their entrepreneurship talents before they complete their studies.

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