

# 14 Employment in the tourism industry

## A pathway to entrepreneurship for Ugandan youth

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### Introduction

The world tourism industry has grown steadily as a result of the rising incomes of the global middle class and increased awareness of new travel destinations. Given that it is a services-based industry, tourism comprises labour-intensive growth sectors that employ a considerable (and growing) number of people. Accordingly, the industry also holds potential for young people in terms of providing entrepreneurial opportunities and/or employment. The sustained growth of the tourism industry has also meant that an increasing number of travellers now visit destinations in Africa, including Uganda. The country's numerous tourist attractions have enabled it to benefit from the increased number of foreign tourists – which reached close to one million in 2010 (World Travel and Tourism Council, 2011) – as well as from the rapidly growing local demand for services. The industry comprises three main subsectors: hotels and lodging, tour operators, and suppliers of associated goods and services. While the activities of all three subsectors are closely intertwined, this chapter focuses on hotels and lodging and their suppliers.

Although the hotels and lodging subsector offers a number of entrepreneurial opportunities, youth entrepreneurship is limited as most young people are unlikely to have the requisite financial resources to start even a small bed-and-breakfast. Accordingly, the most active participants in the hotels and lodging subsector in Uganda are foreign firms and local investors with substantial means. Still, young entrepreneurs have a wide range of options available in terms of supplying goods and services such as food, beverages, equipment, information and communication technology (ICT), and janitorial and transport services. This chapter seeks to contribute to the literature on youth employment and entrepreneurship by focusing on the nature of youth participation in the tourism industry in Kampala, Uganda's capital city. In this study we seek to gain an insight into how and why young people engage in the sector and their aspirations for the future.

## **Tourism and hotel industry in Uganda**

The tourism sector is Uganda's second largest foreign exchange earner, contributing 7.6% of the country's gross domestic product (Uganda Bureau of Statistics, 2011). It also employs an estimated 447,000 persons (World Travel and Tourism Council, 2011). The number of hotels and lodging places in Uganda has increased over the years from 120 in 1989 (Uganda Bureau of Statistics, 1989) to 3,913 in 2013; the subsector employs a workforce of 15,588 people, of which 90% are aged 18–35 years (UNDP, 2013) and work as receptionists, cleaners, cooks, plumbers, and bookkeepers, etc. Such jobs entail long working hours (often at odd times of the day) and low wages, and can be hard, repetitive, and intensive (Habourne, 1995; Hussain, 2008; Knox, 2011; Mason, Mayhew, Osborne, & Stevens, 2008). The growth of the hotels and lodging subsector in Uganda reflects the country's changing political and economic situation. In the 1960s, the government set up and operated a number of large hotels in tourist havens such as game parks and mountain areas under the umbrella of a parastatal corporation – the “Uganda Hotels”. As the economy collapsed, so did the government's ability to maintain tourism infrastructure. In the late 1980s, when the government implemented privatisation policies, many state-owned hotels were sold to private investors. The 2007 Commonwealth Heads of Government summit held in Kampala provided a new impetus with large investments by both government and private individuals in the sector, leading to the establishment of numerous hotels.

Businesses in the hotels and lodging subsector grew by nearly 200% between 2001 and 2011 to 3,876 establishments (Uganda Bureau of Statistics, 2011) employing, on average, eight persons per establishment. Almost half of these are located in the Central Region. Kampala itself offers all types of accommodation from very small, unregistered guesthouses, bed-and-breakfasts, hostels, and lodges to large internationally owned hotel chains such as the Serena and Sheraton. The subsector receives support from an even larger number of associated businesses, including professional services (such as accounting and legal services), functional services (such as laundry and cleaning), and compound maintenance (such as electrical services, gardening and plumbing, and design and security). Given that Kampala has a disproportionately high number of hotels and lodges and, therefore, provides substantial employment and entrepreneurial opportunities for youth, we focus on the two subsectors of the tourism industry in this city.

## **Methodology**

Interviews with hotel and lodging owners and managers, as well as with the youth employed in these enterprises, and the young entrepreneurs who supply the subsector with goods and services were the main form of data collection. Purposive sampling of hotels and lodges was carried out due to lack of reliable statistics on the subsector, which is not categorised based on the international

stars system (see, for example, Uganda Bureau of Statistics, 2011), and on the suppliers subsector in Uganda. As Kampala's hotels and lodging places are spread across the city and are characterised by different numbers of employees and employment conditions, a sample was drawn from each of the city's five divisions. In total, 50 establishments were interviewed – 10 in each administrative division (Nakawa, Makindye, Central, Rubaga, and Kawempe). The number of employees in these establishments ranged from four to 550 and the number of rooms varied between five and 220. Semi-structured interviews consisting of both closed and open-ended questions, which lasted 45 to 90 minutes, were conducted by the authors with the help of research assistants. The interviews focused on five main areas: the establishment type and its turnover, categories of clients, and development over time; the type of training activities provided for staff; the number of youth employed in different areas of work and the level of staff turnover; the skills, qualifications, and advantages or disadvantages of employing youth; and the establishment's plans for growth and its opinion of how best to support youth.

Following these interviews, our two assistants traced a number of the suppliers and service providers associated with the hotels and lodging places we had interviewed. In all, we conducted 100 interviews, representing two suppliers of each of the 50 hotels and lodging places surveyed. These interviews focused on the same five areas listed above and with a similar combination of open-ended and closed questions. Each interview lasted between 30 and 60 minutes. Our respondents in this case included 62 young entrepreneurs, which we draw on in the following sections.

Subsequently, in-depth interviews were held with 10 young people: five employed at the hotels surveyed and five young suppliers. We contacted these respondents through five different hotels, each of which provided contact details for one young employee and one youth entrepreneur who supplied the hotel with a particular service. The intention was to obtain the experiences and views of a group of young employees representing a cross-section of functions – a manager, a receptionist, a guest-relations assistant, an IT assistant, a concierge – and a spread of young entrepreneurs engaged in a range of activities – an assortment of food suppliers and garbage collectors. The interviews focused on the young people's employment and life choices including their educational background, family commitments, reasons for the choice of employment, motivation and aspirations in terms of being part of the industry, both at present as well as in the future.

### **Youth employment and opportunities in the tourism industry**

The following subsections present our findings. First, we examine the hotels and lodging subsector and look at the number of young people employed, their plans for growth, their employment conditions and experiences, and their motivation and aspirations for working in this subsector. We then turn to the young entrepreneurs who supply the subsector and present the types of entrepreneurial activities carried out, the gender of the proprietor, the number of employees, their

motivation and aspirations for being self-employed versus employed, and their plans for growth.

### ***Hotels and lodging subsector***

Of the 50 registered hotels and lodging places surveyed, none was owned by a young person. This is understandable: some establishments had an annual turnover in excess of US\$2 million, which illustrates why young people are not represented in this subsector, given their limited means and minimal opportunities for acquiring the requisite funds. Rogers (aged 29), a hotel manager, explained this clearly, saying that “the hotel business is profitable and I would like to start my own but the funds required are huge”. While family, friends, and other personal networks might be able to provide some level of finance for smaller, more modestly priced enterprises, banks and credit institutions are seldom, if at all, willing to lend this kind of money to young entrepreneurs. A large number of youth, however, were employed by the hotels and lodging places; nearly 70% of employees were between 18 and 35 years old with an almost equal proportion of males and females. The reasons managers gave for employing primarily young people varied from “they are more energetic and willing to learn” to “they are easily trainable and learn from their mistakes better” to “it is the ‘normal’ thing to do and they are easy to find”. More than 60% of the owners and managers surveyed said they aspired to grow, through which they expected to employ more young people. This demonstrates the potential of the tourism industry to create youth employment.

When asked about the advantages of being employed in the tourism sector, Rogers stated:

As a young person starting out in life, you are faced with many costs. Employment in the hospitality sector almost always ensures that at least the cost of food is taken care of since you can have all your meals at work.

As well as the benefits of free meals, Winfred (aged 30), a guest relations manager, observed: “In this sector, you get to meet a lot of people you would not ordinarily meet in other types of employment, enabling you to build networks and improve your confidence in working with different people.” George (aged 25), a concierge, and Ruth (aged 24), a receptionist, concurred, saying that a key attraction of working in this sector was the chance to interact with a wide range of people. This view is similar to that put forward by Mkono (2010) in a study on Zimbabwe where respondents identified networking with people from various countries, cultures, and lifestyles and engaging with a diverse workforce as the main attractions of working in the sector.

Some young respondents said they had sought employment in the hotels and lodging subsector because they had trained professionally in some aspect of hospitality. Although the tourism sector has been identified as having the potential to contribute to the economy, it remains short on skilled labour. A number of

tertiary institutions, including the government-supported Jinja-based Hotel Training Institute, now offer certificate-level to postgraduate training in hospitality. The specialised nature of this training and the availability of employment opportunities have driven many students to seek employment in the sector. As Rogers explained: “I am qualified in it. This is my field and I like it.” Other young employees said they had failed to find employment elsewhere and, therefore, simply settled for the jobs available in the hotels. Some did not intend to stay long, preferring to find employment in sectors that matched their expertise. Ruth gave this account:

This is my first job since I graduated. I approached the owner of this hotel when the structure was still under construction and he promised he would hire me if I failed everywhere else. I have worked here for almost six months and learnt a lot and that is what I like about this job: there is a lot of training. But I would prefer to work in a sector for which I am qualified.

However, among Ruth’s tasks at the hotel are accounts and stocktaking – skills she learnt as part of her diploma in accounts and finance. Thus, she gets the chance to apply some of her skills at her present workplace.

Some young employees indicated that their employment conditions were not always attractive. Ruth voiced her dissatisfaction, saying “Guests harass me especially when I am working at the reception. The night-shift hours are also uncomfortable. I would prefer to go home in the evening.” Aaron (aged 26), an IT assistant, shared Ruth’s discomfiture: “We are poorly paid; the guests know it and further undermine us by making unrealistic demands.” Similar concerns arose when we asked respondents about their employment prospects. Common reasons for not seeking future employment in the sector included the volume of work, the low pay, and the (poor) treatment of staff. George said he would only consider employment in this sector if he failed to find work elsewhere, explaining that his present work was “time-consuming with no holidays or weekends like other sectors”. Winfred, who had worked as a guest relations assistant for under a year, was “tired of working in the sector”.

Most of the youth respondents interviewed said they did not intend to continue their current employment longer than another two years. While some said they would seek employment in non-tourism firms, others stated that they would venture out on their own and start a business. Some have already done so: one respondent owns a small restaurant, others run businesses not related to the sector. Rogers, who also owns a business, said: “I am currently running a retail store but I hope in the next two years, when I quit employment, to have accumulated enough capital to start a restaurant and health club that I can run myself.” Aaron and George both own businesses presently run by their wives while they work at the hotel. George, who owns a restaurant, said:

I decided to start this business when my former employer decided to terminate a contract to serve food to one of his clients because of a price

disagreement. I felt that, at the price they were offering, I could make a profit, so I approached the company and got the contract.

This shows how attractive entrepreneurship is perceived to be among young people, many of whom have either started a firm already or plan to do so.

Respondents agreed unanimously that, if they were to quit their jobs, they would not seek employment in the hotels and lodging subsector again unless it was as an owner. Ruth stated: "I can only work in this sector if I own the business." Rogers echoed her discontent: "I get frustrated seeing the profit potential of this sector and the bad decision-making by owners. After this employment, I will only participate in this sector as an owner." As mentioned earlier, however, the cost of setting up a hotel or lodge is high, especially for youth who, in most cases, will not have access to resources of that magnitude. Individuals such as Rogers were more optimistic and felt that they could pool their employment and business savings in order to start their own tourism firms. These findings reflect a conflicting scenario: the hotels and lodging subsector requires the energy of youth employees, but the tiring nature of the work, the low wages, long working hours, and poor treatment (and even harassment) lead to a high staff turnover. One-quarter of the hotels reported considerable staff fluctuations. This is line with reports that the hospitality industry has long been plagued by turnover rates traditionally ranging from 60 to 300% (Jones, 2008). In turn, this increases the cost of training new employees.

Some of the hotel managers we interviewed said they were aware of young people who had left their jobs to start enterprises of their own, generally in sectors other than tourism, such as cleaning and janitorial services, retail, hair salons, *boda boda* (transportation on a motorbike) services, and poultry farming. This highlights how aspiring young entrepreneurs use formal employment as a stepping stone to set up their own businesses. Given that it is relatively easy to enter and has a high staff turnover, working in the hotel industry gives many young people the chance to obtain the start-up capital they need. Similarly, Richardson (2010) found that a large percentage of youth employed in the hospitality sector would rather leave and start their own enterprises in another sector.

### ***Suppliers of goods and services to hotels and lodges***

Turning to the entrepreneurs that supply goods and services to the hotels and lodging subsector, almost two-thirds of this group are youth, of which more than 80% are male. They engage in a wide range of activities: about one-quarter supply drink and food items (vegetables, meat, poultry, dairy products, and seafood) (see Figure 14.1); one-quarter provide upgrading and/or expansion services (plumbing, fumigation, metal fabrication, carpentry, concrete production, and construction); another quarter provide daily services on the premises (house-keeping, cleaning, gardening, car washing, laundry, salon services, ICT, satellite television services, security, and accountancy) and services including graphics and interior design, entertainment equipment; and the rest deliver services to and



Figure 14.1 Young man supplying drinks to a hotel in Kampala (photo: Samuel Dawa).

from the premises (taxi and *boda boda* transport). Most of the activities mentioned above are undertaken by male entrepreneurs while female entrepreneurs generally only provide housekeeping and laundry services. More than half the young entrepreneurs we surveyed had no employees and very few employed

more than five persons, resulting in an additional employment effect of, on average, 0.5 persons per enterprise.

Our findings show that young people choose to engage in the supply subsector for many reasons: they may have based their decision on market research, on their educational background, or simply on a critical incident. Ezekiel (aged 24), an egg trader, was employed as a company sales executive, during which he investigated the viability of supplying hotels with eggs. While the hotel he now supplies is his largest customer, it accounts for only 10% of his business. Bruce (aged 30), on the other hand, was formally employed with the Bank of Uganda before “realising I had a business opportunity to bridge the gap between the farmers and markets”. A business administration graduate, he set up a firm and bid for the supply of food items to a public hotel – this contract now constitutes 40% of his sales.

While all the respondents were previously employed, none had ever been employed in the hotels and lodging subsector. Ezekiel simply walked into a hotel and offered to supply the establishment with eggs, to which the management agreed. Raymond (aged 33) attributes the development of his business relationship with his client hotel to the Commonwealth Heads of Government Meeting (CHOGM) held in Kampala in 2007:

For [the] CHOGM preparations, I was employed by a firm contracted by the Kampala City Council to collect garbage. With the focus being areas where the hotels were located, I realised that the hotels themselves would provide a business opportunity for me.

This shows how entrepreneurial youth become aware of opportunities to set up a business through their formal employment.

According to the young respondents, their biggest incentive to contract with the hospitality sector is that, compared to other firms, their payment is assured. In addition, having a large, known customer adds value to their reputation, which is important to a number of entrepreneurs in terms of gaining other customers. A contract with a well-known hotel signals their trustworthiness to other, smaller clients, and enables young suppliers to expand their customer base. Even in cases where hotels and lodges provide only a small part of their total turnover, for youth entrepreneurs the reputation value of the contract is central to their overall business. As Raymond pointed out: “While the hotel pays little, having such a big client helps you to get other clients.” At the same time, all the respondents complained that a key challenge of dealing with hotels was that payments were often delayed. Raymond indicated that although he had collected garbage for a hotel for the last seven years, “While payments are guaranteed, they always come late.” Another constraint to suppliers is that, since there are fewer hotels than suppliers, the level of competition is very high.

As far as plans to expand an existing business are concerned, employment is one of the ways in which small-scale entrepreneurship contributes to economic growth (Jeppesen, 2005). Close to 80% of the young entrepreneurs we surveyed

said that they hoped to employ more people in the future. The majority hoped to grow by expanding their present business while a few planned to grow by diversifying their business. Only one in five had no plans for growth or expansion. Plans to expand can be manifested in a number of ways. Fred (aged 32), a vegetable vendor, hopes to open another stall in a new market and to start farming on his own. Janet (aged 22) intends to increase her existing capital and stock as a way of expanding her business. Fred (aged 26), a graphics designer, hopes to obtain a loan to purchase modern equipment, while Kato (aged 28), an ICT service provider, plans to acquire bigger premises. In terms of diversification, Mike (aged 33), who operates a carwash, also offers valet parking services to the neighbouring hotel's clients. He plans to branch into the bar, restaurant, and salon business so that "customers do not have to sit idle while we clean their cars". Justus (aged 28), who runs a gardening business, plans to continue this business while starting additional ventures: he finds it natural to run a number of businesses in his desire to emulate other successful businesspersons in his community. Mercy (aged 34), who offers laundry services, also plans to open a restaurant. Interestingly, hardly any respondents plan to expand and occupy the niche held by the hotel or lodging place to which they supply goods or services – mainly because they say they lack the requisite capital. Among those who do not plan to expand their business, Joselene (aged 20) explained her decision as follows: "I prefer to work alone."

In comparing the plans of young men and women, we found that 70% of the male respondents hoped to expand their existing business compared to approximately 50% of the females. Similarly, 82% of the male respondents hoped to employ someone, compared to 64% of their female peers. This supports claims that female-run enterprises tend to be smaller with relatively modest growth plans compared to their male counterparts (see Balunywa et al., 2013; Minniti & Naudé, 2010; Morris, Miyasaki, Watters, & Coombes, 2006; Namatovu, Balunywa, Kyejjusa, & Dawa, 2011). Female entrepreneurs' modest employment intentions compared to their male counterparts might also be explained by a number of sociocultural factors such as family considerations, the absence of role models, their lack of formal business training, poor economic backgrounds, and cultural biases (Morris et al., 2006). While these factors are not unique to the tourism sector, the types of activities suppliers undertake, where they move from customer to customer and do not work from home, seem to favour male entrepreneurs over their female counterparts.

## **Conclusion**

The tourism industry is a growing, labour-intensive sector in Uganda. While the hotels and lodging subsector needs the vitality and energy that comes with employing youth, the young persons we interviewed expressed a range of reservations regarding employment in this subsector. Although youth constitute the majority of employees in this sector, their participation with regard to hotel or lodging ownership is limited mainly because of the large capital investment

required. Young entrepreneurs use the sector as a way of earning capital in order to set up their own businesses. The tourism sector has several advantages in this regard: young people who eat at work can save much of their (low) salary; coming into contact with numerous people helps them build up their social networks; and they are in a position to perceive opportunities for new businesses supplying and servicing the hotels. Many more opportunities for young people to set up a business exist in the suppliers subsector, given the very wide range of goods and services delivered to hotels and lodges. Here, youth constitute the majority of entrepreneurs and are predominantly male. Young entrepreneurs tend to employ a limited number of persons, but most do have plans for growth. Of these, the majority plan to expand their current business while a minority hope to open up new lines of business. Although our study found that youth were not represented as hotel or lodging owners, some young employees expressed such aspirations, pending access to sufficient funds.

Policies that provide incentives to support the current growth trend in the tourism industry – whether in terms of increasing the number of tourists or expanding the number of hotels and lodging places – would benefit youth employment and ensure extended entrepreneurial opportunities for other young persons engaged in supplying services and goods to hotels and lodges. However, ensuring that employment in this sector remains an attractive prospect for young people is more challenging and will need further study. At the moment, young employees seem to prefer self-employment to working at a hotel or lodge. Similarly, further investigations are needed to detect how best to support youth entrepreneurs in expanding their businesses and employing additional labour. Furthermore, this chapter has highlighted how interconnected the formal and informal sectors are. Many young people become entrepreneurs initially by working in the formal sector in order to obtain the necessary start-up capital, build up their social networks, acquire skills, and gain good ideas for new businesses. The tourism industry, despite its high staff turnover, provides young people with much-needed experience on which to draw when running their enterprises. Informal micro-enterprises, many of which are run by young people, provide the hotels and lodging subsector with supplies and services. Therefore, although this subsector does not provide many openings for young entrepreneurs, it plays an indirect but important role in stimulating youth entrepreneurship.

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