Policy Brief 01

Inequality thrive where policies fail: Kenya's Job Market Evolution – Interventions, Challenges, Opportunities

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Executive Summary

This brief presents a review of job creation policy intervention in Kenya. It reviews policies formulated and implemented by the government of Kenya to address unemployment over the past half a century since 1963, with a focus on the assessment of efficiency and effectiveness of adopted interventions to create new, quality and sustainable jobs to meet highly growing and skilled young labor force.

Over the past half a century, the government of Kenya adopted several policies segmented into three typologies according to Omollo (2012). These were: a) Kenyanization and tripartite agreements (1963-1979); b) active labor market policies (1980-1989) and; c) macroeconomic management (1990-2011). In the post-2011 period, the government shifted focus to the creation of jobs through public works programs such as Kazi Kwa Vijana (KKV – jobs for youth), National Youth Service (NYS) as well as most recent efforts to strengthen the informal sector through structural, legal and legislative reforms towards ease of doing business.

Reorganization, replacement of non-locals in the job market and enhanced linkages between supply and demand sides of the labor market are notable achievements during this period, with insignificant effects on the creation of new, quality and sustainable jobs. Most jobs created were low paying and temporary labor-based employment.

Corruption, policy inefficiencies and inadequate civic engagement of beneficiaries in the formulation, execution and, evaluation of policy interventions are fundamental factors that undermine job creation. Also noted is a weak learning framework as well as limited involvement of young people. As a result of notable inadequacies of these policies, young people, especially those in rural areas, low-income families and minority communities remain highly marginalized in the job market especially in regards to access to formal and quality jobs.

There is a critical need to better align policy and budgetary interventions to the needs of the target beneficiaries. This requires that the process in which budget and policy priorities are designed must be open, transparent and sufficiently participatory to accommodate the voices of young people. Interventions must also be regularly evaluated to assess the impact and learnings from implementation.

Introduction

Over the last five years, the emergence of job-seekers holding placards along Kenyan roads in attempts to catch the attention of potential employers tells a story of the desperation among young jobless Kenyans. Yvonne Okello, 33 and a BSc graduate in Foods Nutrition and Dietetics from the University of Eastern Africa, Baraton, spend a month along Ngong road holding placard that had her cellphone number and bear the message **"do you need a counselor/nutritionist?".** This is an indicative consequence of failed policies and an economy that is perceived to have grown, but one that exhibits inequalities in the country.

Unemployment among young people has remained a perennial issue in Kenya for decades. According to H. Timmis 2018[1], about 29.5 million of Kenya's population is of working age, with about 65% active in the labor market while the unemployment rate stands at 8% (1.6 million) out of which half this number are young people. Young people also form over a third of the inactive population in the labor market. Moreover, the majority of young workers are wage workers, with much less access to salaried formal employment.

A considerable amount of effort has been made by both public and private sector actors to address the situation over the past half a century – from government policy interventions to innovative private-sector led initiatives such as Kenya Commercial Bank's (KCB)'s Lions' Den and Tujiajiri. However, the majority of the jobs accessible to young people are of low paying and temporary casual employment, thus begging the question: is it time to reflect on strategic ways to better bridge the inequality gap in the labor market?

Ford Foundation, East Africa recently convened stakeholders in Nairobi for the launch of its five-year strategy themed "bridging the inequality gap." In his opening remarks, Ford Foundation's Regional Director, Maurice Makoloo noted that Kenya's economy and population have both grown and so has the gap between the rich and the poor, young and old, men and women". It is, therefore, contradicting to have a situation of a growing economy and a growing gap between the rich and poor because it is expected that economic growth proportionately expands access to economic opportunities for all participants in the economy.

Makoloo's statement implies that minority rich have adequate access to quality jobs and tools of economic productivity relative to the majority and marginalized poor. As the deliberation ensued, a consensus among stakeholders emerged that corruption, compounded by inadequate access to civic engagement opportunities by young people and other special interest groups in policy-setting processes.

[1] Timmis, H., (2018). Jobs in Kenya: Opportunities and Challenges available at https://assets.publishing.service.gov.uk/media/5afacd43ed915d0df4e8ce4d/Jobs_in_Kenya.pdf

Analysis of Government initiatives – opportunities, limitations, and conclusions

Omollo (2012) noted that there are three main categories of policy interventions over the past half a century. These were: a) Kenyanization (1963-1979); b) active labor market policies (1980-1989) and c) macroeconomic management (1990-2011). In his review, government interventions to address the unemployment challenge exhibit limitations on the creation of new, sustainable and quality jobs.

For 1963 – 1979, Omollo (2012)[2] further notes that the percentage of Africans in the public service increased from 14.6 percent to 97 percent in 1971 as a result of Kenyanization and tripartite agreements interventions. On the other hand, outcomes of interventions adopted in the 1980-1989 period saw an average growth of 17.67% in informal jobs between 1990-2010 while formal sectors recorded annual growth in jobs of 1.97 over the same period representing a shift in employment types that saw formal employment proportion of total employment reducing by 74.4 percent in 1990 to 18.8 percent in 2010.

In summary, policy interventions adapted through 2010 were largely regulatory rather than facilitative and were mainly successful in job reorganization, replacement and enhanced linkages between supply and demand sides of the labor market.

Interventions adapted in the post-2011 shared similar weaknesses to their predecessors, however, they faced an additional challenge - corruption, mismanagement, and inefficiencies that presented the biggest undoing of the government efforts to create jobs during this period. In 2009, the government established Kazi Kwa Vijana (KKV) while National Youth Service (NYS) was also revamped, both as nation-wide labor-intensive job creation interventions. As a result of mismanagement, World Bank canceled its support for the KKV in 2011 while weak accountability systems not only led to the collapse of the NYS but also resulted in massive misuse and monumental wastage of public resources. Other interventions adapted post-2011 included facilitation of self-employment.

In 2013, the government launched **Access to Government Procurement Opportunities** (AGPO), an affirmative action program with legal standing. AGPO requires all procuring entities to allocate at least thirty percent (30%) of its procurement opportunities to enterprises owned by youth, women, and persons with disabilities. Like KKV and NYS, a study commissioned by Hivos East Africa in 2018 states that implementation of the policy is hampered by among others challenges of conflict of interest and exploitation of the target constituents to win tenders, with only 7.7% of contracts awarded under AGPO since 2013.

[2] J. Omollo, (2012) Youth Employment in Kenya: Analysis of Labour Market and Policy Interventions at http://interactions.eldis.org/sites/interactions.eldis.org/files/database_sp/Kenya/Kazi%20Kwa%20Vijana%20(KKV)/KKV%201.pdf

Still, on AGPO, a quick review of contracts awarded by Elgeyo Marakwet County in the first half of the financial year and procurement plans for Makueni County confirms Hivos East Africa's findings. In the first half of the FY 2018/2019, the county awarded 63 contracts valued at 152 million. 10% of the contract volumes (number of contracts) and 9% of the total contract value is set aside in line with AGPO requirements. Similarly, of Makueni County's 593 projects listed for tendering for the FY 2018/2019 and valued at Ksh.3.3 billion, 27% of the contracts representing 4% (Ksh. 146 million) of the total contract value were reserved per AGPO guidelines.

Other policy efforts include the establishment of Youth Enterprise Fund, Uwezo Fund, Micro and Small Enterprise Authority (MSEA) and National Government Affirmative Action Funds (NGAAF) – all of which share similar weaknesses of legal frameworks. For example, the Youth Enterprise Fund is designed as a startup fund, however, application requirements are designed for established businesses. The application form requires an applicant to provide mandatory information such as **bank account history and six-month statements; gross-profit margins, monthly profit loss/profit; balance sheet, etc. In the case of a startup application, applicants are required to provide collateral particular vehicle logbook or land title deed.** This contradicts the intended purpose in which the fund was established and apparent limitation by design.

Overall, while government and relevant stakeholders have made efforts to address unemployment and despite the progressive legal provisions that protect and promote access to social and economic rights, young people, especially those in rural areas, low-income families and minority communities remain highly marginalized in the job market especially in regards to access to formal and quality jobs.

There are fundamental factors that undermine government efforts to create jobs and fulfill its constitutional obligation – corruption, policy inefficiencies and inadequate civic engagement of beneficiaries in policy and structural reforms.

Weak learning and reflection can be seen as a common trend. Elevation of the National Employment Board (NEB) even with its institutional inefficiencies to create new jobs, to the National Employment Authority (NEA) from initially a department within public service ministry to now fully autonomous institution, is an indication that the government is not keen to learn from practice. Similarly, it is also no wise for the government to just throw in money in the forms of establishing enterprise funs with the hope that young people will take up the challenge while ignoring crucial factors that limit the ability of young people to create quality, sustainable jobs including inadequate skills and weak entrepreneurial culture among young people.

In efforts to align policy and budgetary interventions to the needs of the target beneficiaries, budget and policy formulation process must be open, transparent and sufficiently participatory to accommodate the voices of young people. Interventions must also be regularly evaluated to assess the impact and learnings from implementation. Today, various civic engagement concepts have been tested to be effective in achieving well-aligned public policies and spending including Participatory Budgeting (PB) and Public Deliberation (PD).