

Jobs in Kenya: Opportunities and Challenges

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Question

What job opportunities exist in Kenya? What are the key challenges to creating more jobs, better jobs and inclusive jobs?

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1. Overview

This report examines job opportunities in Kenya and challenges to their expansion. Job opportunities are measured on three levels: quantity, quality and inclusiveness. All three outcomes matter for a country's development; "just having jobs is not enough" (World Bank, 2017). For individuals, the quantity, quality and inclusiveness of jobs determine *living standards*, since jobs are most people's main source of income. For the economy, jobs outcomes contribute to *inclusive economic growth* by increasing the level, productivity and diversity of labour in production. For society, the generation of "good jobs" for a wide swath of citizens fosters *social cohesion*, while a lack of employment opportunities is a critical source of social unrest (World Bank, 2013: pp.8-14). Thus, the World Bank's World Development Report on Jobs (2013: 2) argues that *more, better and inclusive jobs* are "the cornerstone of economic and social development".

The report's key findings are summarised below.

Job opportunities in Kenya

- *Quantity of jobs*: Kenya has experienced high rates of job creation, and new jobs are increasingly found in the (predominantly urban) industrial and services sectors and increasingly pay a wage. Nevertheless, approximately two in five Kenyans do not work. While rates of joblessness are similar across urban and rural areas, unemployment is higher in cities and inactivity is higher in the countryside.
- *Quality of jobs*: The productivity level of Kenyan jobs is low on average. Limited growth in the country's formal sector means that over 80 percent of workers are confined to informal jobs, which are typically low pay and low skill. Job quality is even low in urban areas, despite the higher rates of non-agricultural wage work. The formal employment opportunities that do exist are concentrated in the services sector, particularly commerce, and the public sector.
- *Inclusiveness of jobs*: Women, youth and those from low-income households are more likely to be excluded from jobs, particularly better quality jobs. Youth and women are especially vulnerable in terms of unemployment, and are also less likely to be active in the labour market. The women and youth that do work are predominantly engaged in low productivity activities, as are low-income workers. The available evidence further suggests that persons with disabilities are less likely to access work.
- Overall, it is not primarily access to jobs but lack of *equal* access to *good* jobs that is most important for Kenya's economic and social development. For jobs to become transformational, they must transition from lower productivity to higher productivity activities and become accessible to women, youth and other disadvantaged groups (World Bank, 2016: 10).

Challenges to expanding jobs

- There are three key reasons for the low productivity of jobs in Kenya's economy. First, there is significant allocative inefficiency in the formal sector, that is, diversion of labour and capital from more productive to less productive firms. Second, firm creation in the formal sector remains low. Third, there is limited productivity growth in the informal sector where the majority of jobs are located. These factors constrain the creation of *better* jobs.
- The factors that constrain the creation of more *inclusive* jobs differ across women and youth. On the supply-side, women's employment opportunities are limited by greater

household responsibilities and lower educational attainment relative to men, while on the demand-side, they are disproportionately affected by limited credit access, barriers to business registration and discrimination in the formal sector. The challenges facing youth in the labour market include their relative lack of skills, a weak culture of entrepreneurship, unfair recruitment practices (including nepotism), bribery and sexual harassment.

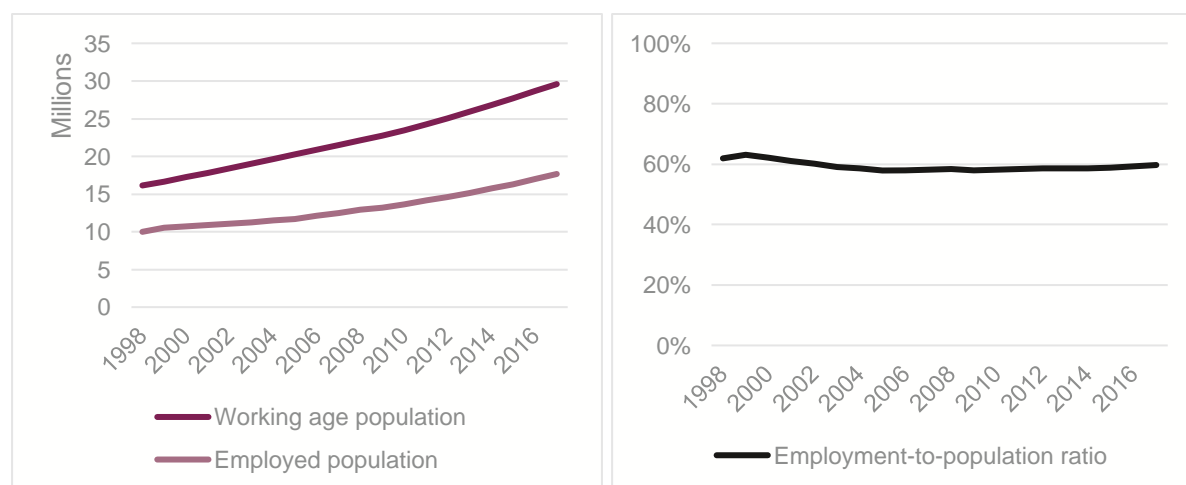
2. Job opportunities in Kenya

This section measures the quantity, quality and inclusiveness of jobs in Kenya in order to provide an overall picture of employment opportunities.¹ An analysis of the drivers of these outcomes is reserved for Section 3.

Quantity of jobs

Employment creation has kept pace with population growth but joblessness remains high. In the past 20 years, Kenya’s employment-to-population ratio has been roughly constant indicating that the economy is creating jobs at the same rate as growth in the working-age population (Figure 1). However, the proportion of adult Kenyans without work (either inactive or unemployed) has remained high at 41 percent on average. The labour force participation rate fell over the period from 72 to 65 percent suggesting that Kenyans are exiting the labour market in response to the low availability of jobs (Figure 2).

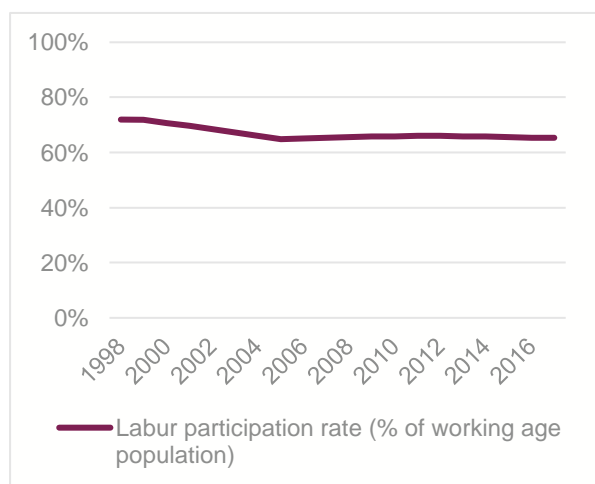
Figure 1: Working age population and employment, Kenya, 1998-2017



Source: World Development Indicators
Retrieved: World Bank DataBank (2018)

¹ Definitions of key indicators used in this Section are provided in the Annex.

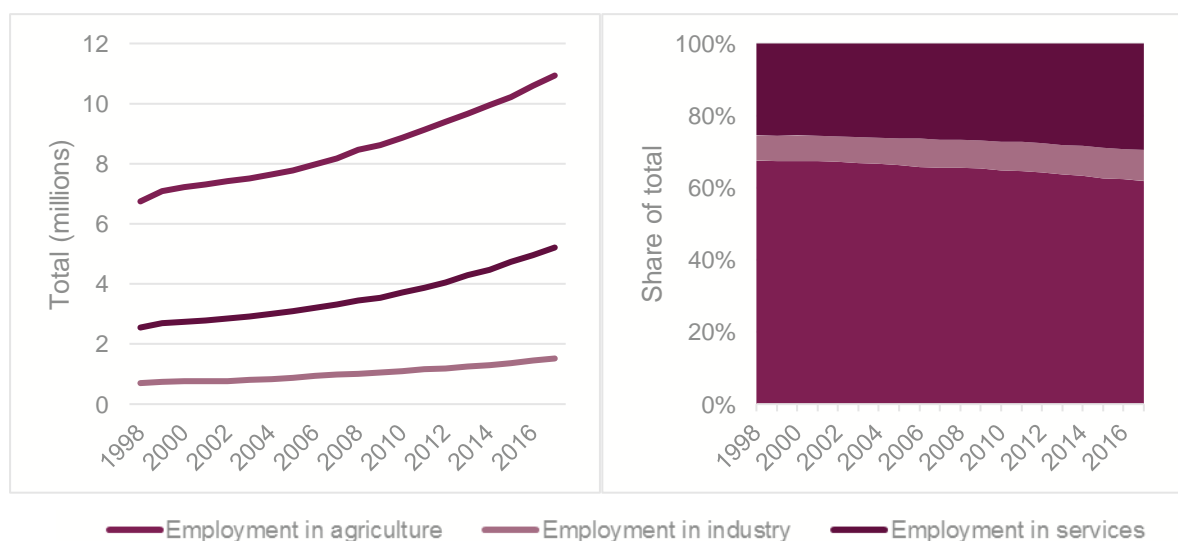
Figure 2: Labour force participation, Kenya, 1998-2017



Source: World Development Indicators
Retrieved: World Bank DataBank (2018)

Jobs in the non-agricultural sector have grown fastest, but agriculture is still the largest employer. The number of Kenyans employed in industry and services more than doubled between 1998 and 2017, while the number employed in farming increased by 62 percent (Figure 3). As a result, the share of employment in agriculture fell from 68 to 62 percent, while that in services increased from 26 to 29 percent and that in industry increased from 7 to 9 percent. The World Bank’s Job Diagnostic in Kenya (2016: 19) describes this trend thus: “Kenya’s slow structural transformation of output has been mirrored in a slow structural transformation of employment... [but this has not been] sufficient to *transform* the structure of employment...” Within the services sector, commerce is the largest employment category, followed by the public sector, “other” services, transportation/communication and finance. Within industry, it is manufacturing, followed by construction, mining and electricity/ utilities (World Bank, 2012: 30).

Figure 3: Employment by sector, Kenya, 1998-2017

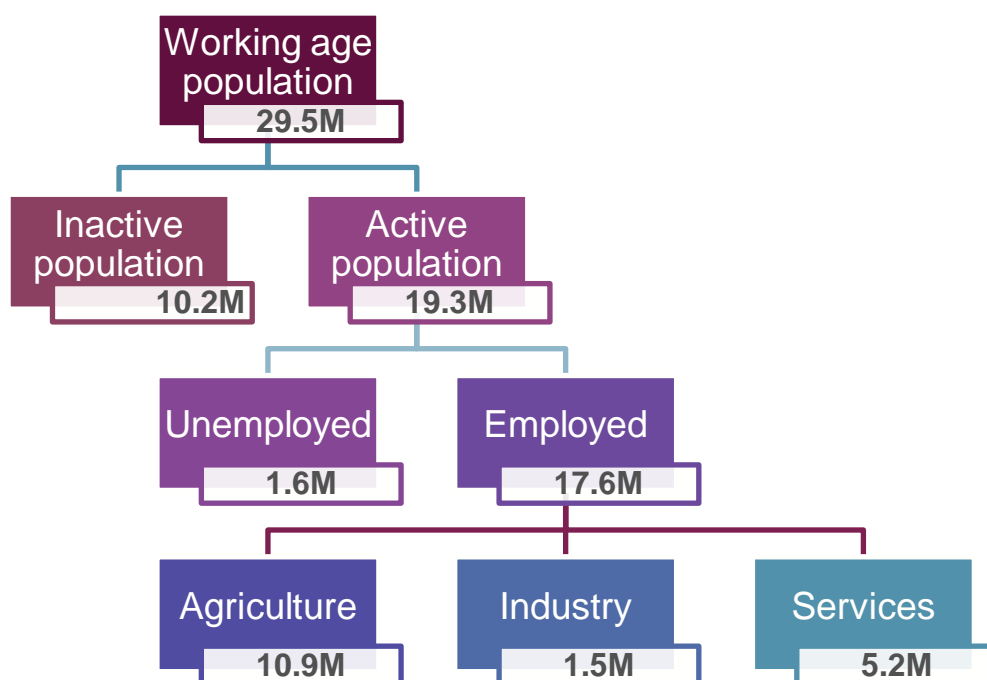


Source: World Development Indicators
Retrieved: World Bank DataBank (2018)

The number of salaried jobs has also grown relative to non-wage work. The share of wage jobs in total employment has increased significantly since 1998 from a third to nearly half (World Bank, 2018). This may reflect the shift out of farming since the overwhelming majority of non-wage jobs are in agriculture, while wage jobs are spread across sectors and occupations (World Bank, 2012: 30).

Figure 4 provides a “snapshot” of employment outcomes in Kenya in 2017.

Figure 4: Employment outcomes, Kenya, 2017



Source: World Development Indicators
Retrieved: World Bank DataBank (2018)

Urban vs. rural economies

The number of jobs per person are the same in urban and rural areas, but unemployment is higher in cities. Table 1 provides a comparison of urban and rural jobs in Kenya in 2013.² The urban employment-to-population ratio is 58 percent and the rural ratio 59 percent. Thus, the distribution of jobs between urban and rural areas is proportional to the distribution of people, with roughly a quarter of Kenyans and jobs located in cities. However, competition for urban jobs is greater due to higher labour force participation rates: 73 percent of city dwellers are active in the labour market compared to 64 percent of the rural population. As a result, 20 percent of the urban labour force is unemployed as compared to 8 percent of the rural one. This finding is corroborated by the World

² In 2013, the World Bank implemented its STEP Household Survey in Kenya under its multi-country Skills Measurement Programme. The STEP Survey collects detailed information from a representative sample of urban workers, including their employment status, job characteristics (including occupation, earnings, skill requirements, formality status) and education and skills. This allows for urban-rural comparisons of job outcomes in Kenya, as well as more detailed analysis of job opportunities in cities.

Bank's *Kenya Economic Update* (2012: 31) which describes unemployment in Kenya as "almost entirely an urban phenomenon". Nevertheless, the rate of *joblessness* (proportion of adults inactive or unemployed) is equivalent in urban and rural areas.

Table 1: Employment outcomes in rural and urban economies, Kenya, 2013

	<i>Urban economy</i>	<i>Rural economy</i>
Working age population	6371000	19534363
Active population	4629000	12425928
Employed population	3717000	11463542
Unemployed population	912000	963386
Employment-to-population ratio	58%	59%
Labour force participation rate	73%	64%
Unemployment rate	20%	8%
Jobless rate	42%	41%

Source: STEP Household Survey; World Development Indicators
Retrieved: World Bank (2016: 26); World Bank DataBank (2018)

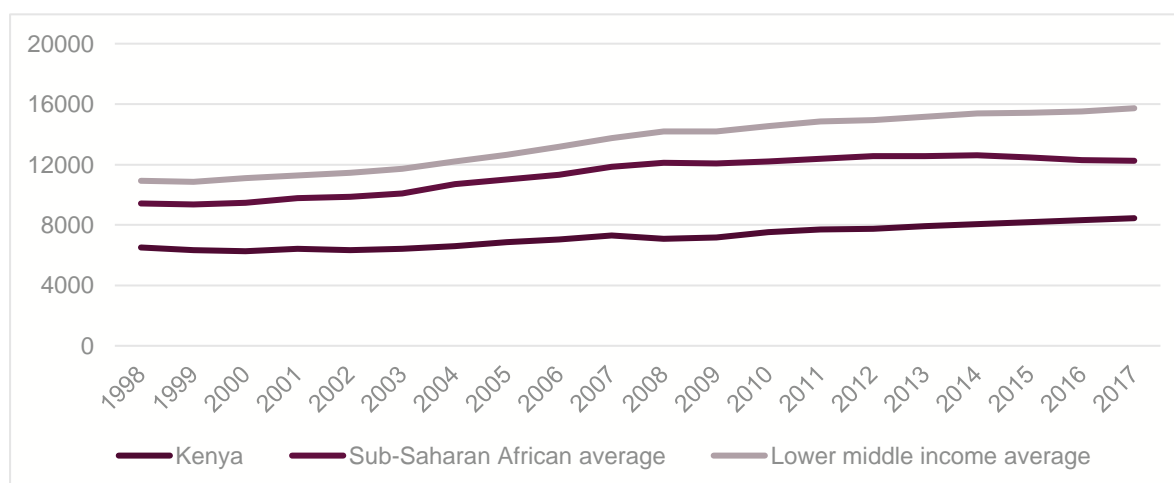
Unsurprisingly, farming dominates rural employment. Services dominate urban employment. Four out of five urban jobs are in the services sector (World Bank, 2016: 27-8). The biggest employment category is commerce, which provides 29 percent of urban jobs. Other services, including the public sector, provide a further 54 percent. Within industry, manufacturing employs 10 percent of urban workers, and the remaining 7 percent are split between construction, mining and utilities. By contrast, 84 percent of rural employment is in agriculture, 10 percent in industry and 6 percent in services (World Bank, 2018).

Opportunities for wage work are greater in cities. 56 percent of urban jobs are wage jobs compared to 36 percent of rural jobs, reflecting the differences in the composition of urban and rural employment (World Bank, 2016: p.26).

Quality of jobs

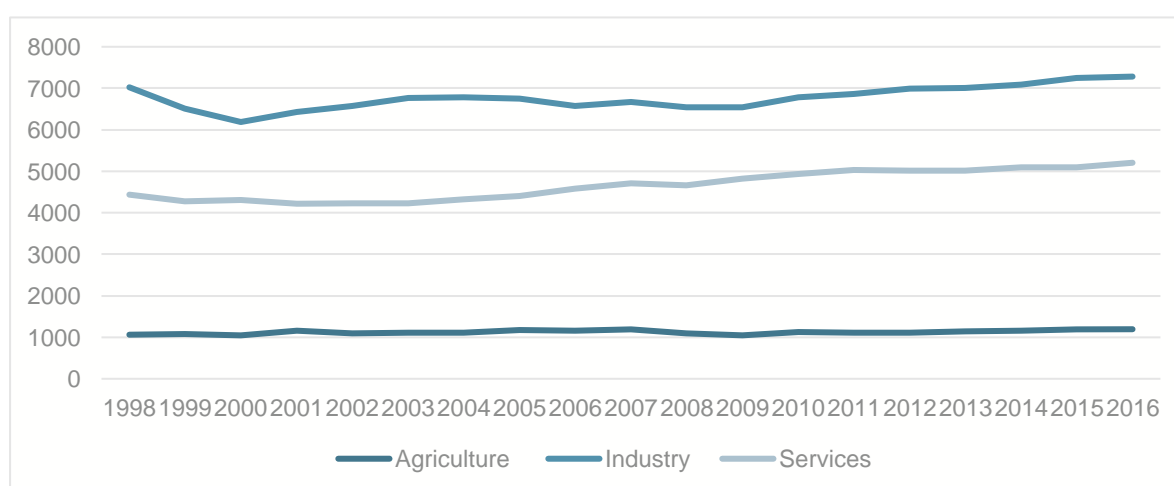
The productivity level of jobs has grown slowly and remains low. Between 1998 and 2017, Kenya's output per worker remained lower than the average level for both African countries and lower middle income countries. It also grew at a slower rate (Figure 5). The World Bank's Jobs Diagnostic (2016: 11) attributes this to limited structural transformation in Kenya's employment from low productivity agriculture to higher productivity industry and services (see above), as well as limited productivity improvements *within* sectors. Indeed, Figure 6 demonstrates that output per worker in the industrial sector has stagnated in the past 20 years, while productivity in agriculture and services grew by just 12 and 17 percent respectively.

Figure 5: Output per worker (constant 2010 US\$), 1998-2017



Source: World Development Indicators
Retrieved: World Bank DataBank (2018)

Figure 6: Output per worker by sector (constant 2010 US\$), Kenya, 1998-2017

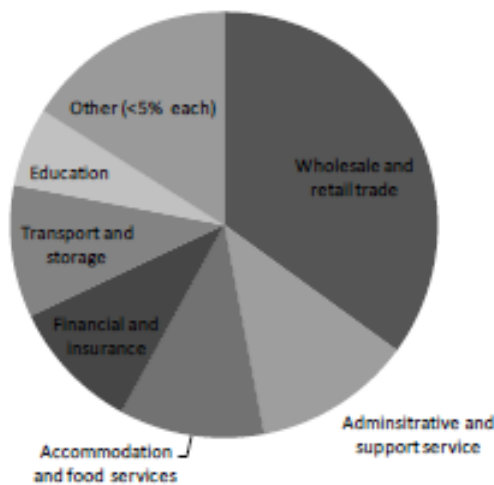


Source: World Development Indicators
Retrieved: World Bank DataBank (2018)

Limited productivity improvements within sectors results from high levels of informality. Between 1998 and 2014 (most recent available data), informal employment grew at a faster rate than formal employment in the Kenyan economy, increasing its share from 64% to 83% of all jobs (Kimenyi et al., 2016: 14). Within Kenya’s cities, over three in four urban jobs are informal, including all non-wage work and half of wage jobs (World Bank 2016: p.50). Informal jobs are less productive than formal wage jobs, as evidenced by the fact that they pay (statistically) significantly less (World Bank, 2016: 29). In part, this is because they are low-skill. The World Bank Jobs Diagnostic (2016: 30) finds that a majority of informal workers do not use basic cognitive skills, including reading, writing, numeracy and computer skills, at all. By contrast, over 50 percent of formal workers report that the skill intensity of their work is “medium” or “high”. As well as being less productive with lower earnings, informal jobs typically perform worse against other criteria of “job quality”, including employment security and benefits (e.g. pensions, paid leave etc.) (World Bank, 2016: 29).

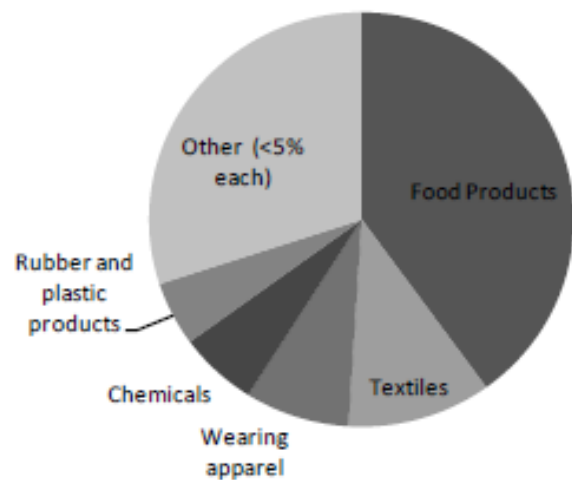
Better quality (i.e. formal) jobs are concentrated in the public sector and private services sector. In 1991, 50 percent of Kenya’s formal employment opportunities were in the public sector (Kimenyi et al., 2016: 15). By 2012, employment in the formal private sector had grown relative to the public sector. Although the public sector still accounted for 32 percent of formal jobs, 38 percent was now in services, 16 percent in industry and 14 percent in agriculture (World Bank. 2012: 30). Within the formal services sector, commerce is again the dominant employment category providing 30 percent of jobs (Figure 7; World Bank, 2016: 55). Within the (smaller) formal manufacturing sector, food products and textiles account for a majority of jobs (Figure 8).

Figure 7: Distribution of employment within formal services sector, Kenya, 2011



Source: 2011 Integrated Survey of Services
Retrieved: World Bank (2016: 56)

Figure 8: Distribution of employment within formal manufacturing sector, Kenya, 2010



Source: 2010 Census of Industrial Production
Retrieved: World Bank (2016: 51).

Inclusiveness of jobs

Women

Women have fewer employment opportunities than men. Since 1998, unemployment among Kenyan women has been consistently higher than unemployment among Kenyan men and has increased at a faster rate (Figure 9). At the same time, female labour force participation has declined more than male participation, suggesting that women are exiting the labour market more rapidly (Figure 10). As a result, the rate of female joblessness (inactive or unemployed) in 2017 was 46 percent, while that for men was 35 percent.

Figure 9: Unemployment by gender, 1998-2017

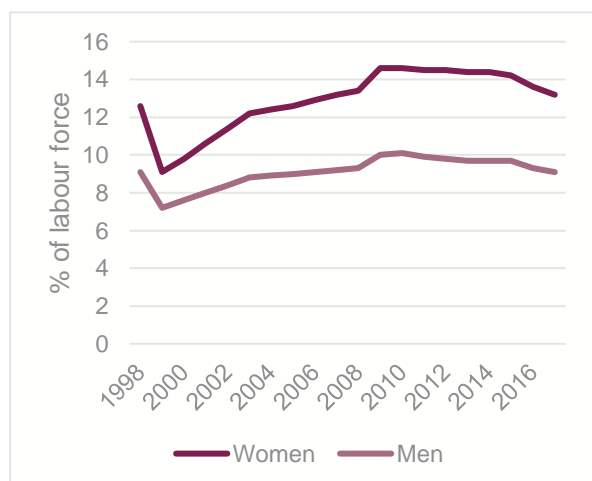


Figure 10: Labour force participation, 1998-2017



Source: World Development Indicators
Retrieved: World Bank DataBank (2018)

The jobs women do access tend to be lower quality. Of the women that do work, 75 percent are in the low productivity agricultural sector as compared to 51 percent of male workers (World Bank, 2018). Only 22 percent of female workers are in services and 3 percent in industry; for men the figures are 35 percent and 14 percent respectively (World Bank, 2018). Women are less likely to find work in the formal sector and more likely to be self-employed than men (World Bank, 2016: 27). Indeed, 54 percent of Kenya’s micro, small and medium enterprises (MSMEs) are owned by women (KNBS, 2016: 17). However, women’s businesses are more likely to be informal (88 percent against 72 percent of men’s), are smaller (approximately 85 percent do not have any employees apart from the owner), grow less quickly, have lower capital investment and are twice as likely to be operating from home than men’s (IBRD & World Bank, 2007: 14). Thus, the World Bank’s 2013 informal enterprise survey in Kenya finds that “female owned firms are [significantly] less productive, less dynamic, and pay their workers less compared to male owned firms” (World Bank, 2016b: 25). Overall, Kenyan women’s earnings are on average 58 percent lower than men’s, though the pay gap is much smaller in the formal sector than the informal sector (IBRD & World Bank, 2007: 76; World Bank, 2016: 29).

Better employment opportunities for women exist in services and key export sectors. Of the women that do work in the formal sector, most are employed in services, particularly education (IBRD & World Bank, 2007: 12). Women also predominate in the formal workforce of important labour-intensive export sectors, such as cut flowers (65-75 percent of workers), textiles (75 percent of workers) and tourism (33 percent of workers) (IBRD & World Bank, 2007: xxv). These sectors offer better remuneration and working conditions than other female-dominated occupations in Kenya (IBRD & World Bank, 2007: 79). Buoyancy in the global economy is expected to boost Kenya’s international trade, thus increasing formal employment opportunities for women (World Bank, 2017: 15).

Youth

Youth (ages 15-24) are disproportionately barred from work. Kenya’s youth unemployment rate increased from 14 to 22 percent between 1999 and 2017. This is contrast to total unemployment, which actually fell from 12 to 9 percent as Kenyans exited the labour force (World Bank, 2018).

Meanwhile, youth labour force participation rates declined from 51 to 34 percent (World Bank, 2018). As a result, the proportion of jobless youth rose from 62 to 72 percent. Young women are more likely to be jobless than young men (World Bank, 2018). In urban areas, youth comprise half of the unemployed and over a third of the inactive (World Bank, 2016: 33). While a majority of young workers are wage workers, they have much less access to formal wage work than older workers (World Bank, 2016: 27).

Low-income individuals

Individuals from low-income households are confined to low quality jobs. In Kenya, the employment-to-population ratio and unemployment rate is very similar across households, independent of how wealthy they are (World Bank, 2016: 21). However, individuals from low-income households (<30%) are “disproportionately engaged in self-employment and informal wage work, and in agriculture and low value-added sectors” and “have virtually no access to better paid wage jobs” (World Bank, 2016: 7, 32). Indeed, education-level (a proxy for income-level) is a stronger predictor of access to formal employment than gender or age (World Bank, 2016: 27).

People with disabilities

People with disabilities are more likely to be jobless. Those in rural areas have fewer employment opportunities than those in urban areas. In 2007, the Government of Kenya undertook a National Survey for Persons with Disabilities, the first national sample survey of its kind in the country (NCAPD & KNBS, 2008: xv). It found that 4.6 percent of Kenyans have disabilities. When asked what activities they had undertaken in the week preceding the survey, 16 percent of respondents had worked for pay, 33 percent had worked in the family business and 3 percent had not worked but were employed (NCAPD & KNBS, 2008: 30-1). 44 percent of respondents had not worked (including 7 percent who had *never* worked). If this figure is used to proxy the rate of joblessness among persons with disabilities, then it is three percentage points higher than the national rate (see above). Men with disabilities (17.7 percent) were more than twice as likely as women with disabilities (7.6 percent) to have worked for pay, but less likely to be jobless (42 percent compared to 60 percent of women). Geography was also correlated with disabled persons’ employment opportunities. Those living in urban areas were more likely to access paid work: 25 percent of them had worked for pay compared to 9 percent of their rural counterparts. They were less likely to have worked in their family business (21 percent vs 32 percent) or be jobless (43 percent vs 54 percent).

3. Challenges to expanding jobs

This section analyses the key determinants of jobs outcomes in Kenya. It identifies the key challenges to creating *better quality* and *inclusive* jobs, which are most required for Kenya’s social and economic welfare (World Bank, 2016: 7).

Challenges to creating better jobs

The World Bank’s 2016 Job Diagnostic (64) identifies three key reasons for the low productivity of jobs in Kenya’s economy. First, there is significant allocative inefficiency in the formal sector, that is, diversion of labour and capital from more productive to less productive firms. Second, firm creation in the formal sector remains low. Third, there is limited productivity growth in the informal sector where the majority of jobs are located (see above). It concludes (64): “Although beyond the scope of this report, these [challenges] will be critical to look at to address key constraints to

creating more productive jobs in the formal and informal sectors.” These three challenges, including their underlying causes, are discussed further below.

Allocative inefficiency in the formal sector

In a well-functioning market economy, productive firms are more competitive. As a result, they invest in labour and capital, expand their production and displace less productive firms (and jobs). Evidence of inefficient allocation of labour and capital includes i) large firm productivity differences within and across sectors and ii) low correlation between firm productivity and size (World Bank, 2014: 32). Both are prevalent in Kenya.

Cusolito & Cirera (2016) collect data against the first indicator drawing on the 2010 Census of Industrial Production and the 2011 Integrated Survey of Services in Kenya. Using various measures of firm-level productivity, they find that, on average, firms are less productive in the manufacturing sector than the services sector. Moreover, the productivity dispersion of manufacturing firms is greater than that for services firms, with high-performing firms co-existing with inefficient ones. They postulate that this evidence of misallocation may explain “why the overall activity of the manufacturing sector [has been] disappointing, with manufacturing growth significantly lagging behind overall economic growth” (11). The World Bank’s (2014: 33) *Kenya Economic Update: Can Manufacturing Contribute More* further finds that firm productivity differences within manufacturing *sub-sectors* are very large. For example, the ratio between the most productive (80th percentile) and least productive (20th percentile) firms is 87.8 in the electrical equipment sub-sector, 53.6 in basic pharmaceuticals and 23.9 in wood products. Overall, the ratio between the most productive manufacturing firms and the least productive is 14.6. By contrast, in India and Mexico, the top manufacturing firms are only five times more productive (World Bank, 2014: 32). This evidence is suggestive of significant distortions that allow low productivity firms to remain in the market.

Turning to the second indicator of inefficient allocation, Kenya also exhibits a negative correlation between firms’ productivity and their size in terms of employment (World Bank, 2016: 62). The World Bank (2016: 62-3) compares relative employment in the most (90th percentile) and least productive (10th percentile) firms in both the manufacturing and services sectors. It finds that the least productive firms are larger on average. This is particularly true of the sub-sectors in which most jobs are located: food and textiles in manufacturing and commerce in services. This suggests that high-productivity firms are failing to grow.

Thus, there is strong evidence that higher productivity firms are held back in the Kenyan economy, particularly in the manufacturing sector, and that this is a key constraint to better job creation. Using comparable firm-level data from four African countries, including the 2010 Census in Kenya, Cirera, Jaef & Maemir (2017: 26-9) conduct econometric analysis to identify the underlying causes of allocative inefficiency in the region. They find that various cost-of-doing-business indicators are significantly correlated. Specifically, inefficient financial markets, cumbersome business regulations (measured as the fraction of time managers spend on dealing with government regulations) and poor infrastructure (measured as loss in sales due to power outages) are associated with higher levels of labour and capital misallocation. The suggestion is that that these costs disproportionately affect higher productivity firms. For example, inefficient financial markets may consistently under-finance smaller firms, which we have seen are more productive on average in Kenya. As a result, these firms invest less in capital and labour and grow below their potential (World Bank, 2014: 31). Indeed, Kenya performs poorly against various World Bank Doing

Business indicators relative to other counties in the region and globally. In particular, it ranks 92nd out of 189 economies on Paying Taxes (lower than neighbouring Uganda and Rwanda), 106th on Trading Across Borders, and 71st on Getting Electricity, areas that are particularly salient for manufacturing firms (World Bank, 2018b).

Low firm creation in the formal sector

Young firms contribute disproportionately to job creation and much less to job destruction (Crisuolo, Gal and Menon, 2014). In Kenya, a lack of firm entry in the higher productivity formal sector is a key constraint to better jobs (World Bank, 2016: 61). According to the 2011 and 2010 firm-level surveys, only 21 percent of Kenyan firms are start-up (0-2 years) or young (0-5 years), as compared to 30 percent in OECD countries (World Bank, 2016: 61). A large majority of firms, and a greater share than in OECD countries, are “old” (10 years or more). In the manufacturing sector, less than 19 percent of firms are under five years old, while the share in the services sector is even lower.

Both barriers to start-up and barriers to formalisation may explain this trend. In 2014, Kenya ranked 143rd out of 189 economies on the World Bank’s Starting a Business Index (World Bank, 2014: 46). It takes 10 procedures and one month to start a business in Nairobi, more than the Sub-Saharan African average of 8 procedures and 27 days and more than twice the OECD average of 5 procedures and 10 days. These costs may prevent business start-up in the formal sector, as well as their formalisation. Indeed, the World Bank’s 2013 Informal Enterprise Survey, which collected data from 533 non-registered firms in Kenya, found that nearly half of the respondents did not wish to register their business (World Bank, 2016b: 19-20). The reasons cited for not registering included taxes involved (57 percent); cost of registering, including time, fees and paperwork (56 percent); no benefit from registering (47 percent); inspections and meetings required (37 percent), and bribes required (36 percent). These costs outweighed the benefits of formalisation, such as increased access to finance.

Low productivity growth in the informal sector

The vast majority of Kenyan jobs are informal (see above). Therefore, low productivity growth in the informal sector will drive the aggregate trend. Using data from the 2013 Informal Enterprise Survey, the World Bank’s (2016b: 11) *Informal Enterprises in Kenya* report indeed finds that labour productivity, measured as the (log of) ratio of sales to employment, is 8.4 times higher in formal micro firms than informal firms. This productivity gap holds across sectors (manufacturing and services), firm size and firm age. It is larger in certain regions, particularly Mombasa and Nyanza where informal labour productivity is lower than elsewhere. While it is not possible to establish *growth* trends in informal sector productivity without longitudinal data, it is clear that closing the productivity gap would greatly enhance the quality of Kenya’s informal jobs.

Unfortunately, while there is substantial empirical work on determinants of labour productivity for formal firms, there is little evidence with regards to the informal sector (World Bank, 2016b: 12). One theory is that informal firms are often inefficiently small, but become more productive with growth. However, the World Bank (2016b: 13) report argues that: “Increasing firm size may not necessarily translate to higher labor productivity. That is, for the informal firms surveyed in Kenya [as for formal firms], labor productivity is lower for the relatively larger firms and significantly so, once region specific and sector specific differences in labor productivity are taken into account. One explanation here could be that a larger firmsize raises evasion costs associated with being

informal and this evasion expenditure affects firm performance. However, it is also possible that the most productive large firms formalize, biasing labor productivity among the remaining large informal firms towards a lower level.”

Challenges to creating inclusive jobs

This sub-section examines the demand- and supply-side constraints to creating inclusive jobs, focusing on women and youth.

Women

There is evidence that women face the following constraints in accessing higher quality jobs:

- *Household duties.* Women’s household work affects their labour force participation and employment opportunities on the supply-side. The World Bank’s 2013 STEP Survey of urban workers finds that over 60 percent of inactive, working age women had household duties as their primary reason for not seeking work (World Bank, 2016: 34). The percentage is higher for women aged 20 to 34 due to the tendency for early family formation in Kenya (World Bank, 2016: 34-41). Household responsibilities also limit the time women can spend on economic activities, inhibiting their access to formal wage jobs (which tend to be full-time in Kenya) and affording them fewer hours to develop their businesses (IBRD & World Bank, 2007: 13-15).
- *Lower educational attainment.* Kenya still exhibits gender gaps in educational attainment (World Bank, 2016: 43). Only 55 percent women progress beyond primary education against 65 percent for men. While similar proportions of men and women complete secondary education, the share of men that complete tertiary education is much higher. This is important because, once skills are accounted for, the impact of education on earnings is only significant for secondary and tertiary education, and much more so for the latter (World Bank, 2016: 38). Additionally, those with tertiary education make shorter transitions from school to work and are less likely to be unemployed (World Bank, 2016: 41). Thus, women’s lower educational attainment may partly explain their higher rates of unemployment (particularly among young women) and lower earnings.
- *Lack of access to credit.* On the demand-side, lack of access to credit is a key reason why women’s businesses are smaller and less productive than men’s (see Section 2). Despite owning more than half of Kenya’s MSMEs, it is estimated that women have less than 10 percent of available credit (IBRD & World Bank, 2007: xxvi). Reasons for this include women’s limited land ownership. Formal business loans in Kenya usually required collateral but despite supplying over half of labour in the agricultural sector, women hold about 1 percent of registered land titles. Various cultural and institutional barriers prevent them obtaining property rights (IBRD & World Bank, 2007: 21). While microfinance services aim to extend credit to women that lack access to formal financing mechanisms, they offer limited support for women who wish to grow their enterprises beyond micro-level (IBRD & World Bank, 2007: xxvi).
- *Barriers to formalisation.* There is evidence that the high costs associated with business registration in Kenya (see previous sub-section) affect female entrepreneurs disproportionately, confining them to the informal sector (IBRD & World Bank, 2007: xxvii). A World Bank Urban Informal Sector Investment Climate Analysis in 2006, which surveyed 250 firms in Nairobi and its environs, revealed that, on average, women perceive the costs

of formalisation, including tax rates, tax administration and customs procedures, as greater constraints to business growth than men (IBRD & World Bank, 2007: 53). One possible explanation is that government officials enforce regulations differently for men and women. Another is that female entrepreneurs are “time poor” relative to their male counterparts, combining family duties with running their business (see above).

- *Discrimination.* Finally, women face gender discrimination when accessing formal jobs (IBRD & World Bank, 2007: 76). This is evidenced by the fact that they comprise less than 40% of formal workers, and are occupationally segregated from men. For example, within formal industry, the ratio of female to total employment ranges from 4% in basic metals to 37% in wearing apparel (World Bank, 2016: 53).

Youth

While much of the high unemployment among young Kenyans is transitional after leaving education, there is evidence of structural barriers that prevent youth accessing jobs, particularly in the formal sector:

- *Poor skills.* On the supply-side, there is evidence that Kenyans leave school without suitable skills for the workplace (Hunt, 2017: 14). For example, a majority of high-school graduates do not have minimum proficiency in English reading (World Bank, 2016: 46). Moreover, there are limited opportunities for acquiring skills through training after school in Kenya (World Bank, 2016: 47). To the extent that skills must therefore be learnt on the job, youth will be systematically disadvantaged due to their typically lower levels of work experience. Indeed, this may explain why a DFID-commissioned study of youth employment in Kenya, Ghana and Nigeria found that young people face an “experience trap” (Chari et al., 2017: 28). Formal employers increasingly require that job applicants have work experience as an indicator of basic skills, excluding new entrants to the labour market.
- *Weak culture of entrepreneurship.* Kenya is currently one of the least “entrepreneurial” nations in the world, ranking 107 out of 137 on the Global Entrepreneurship Index (GEI) (Hunt, 2017: 19). This is both a demand- and supply-side issue. The low proportion of youth that are self-employed suggests that young people lack entrepreneurial skills and training (Hunt, 2017: 19). However, the GEI data also indicates that Kenya ranks poorly on various indicators of start-up enabling environment.
- *Nepotism and unfair recruitment practices.* Young people’s relative lack of personal networks prevents them accessing jobs. The World Bank’s 2012 *Kenya Economic Update* investigated the demand-side challenges facing youth in the job market via focus group interviews. It found that nepotism was the most commonly cited issue: “Most respondents felt that it was almost impossible to access the labor market if one did not know someone to connect him or her to the job environment... Most job seekers felt that it was a waste of time and resources to apply and attend interviews if one did not know someone to push her or him through” (World Bank, 2012: 33). Further evidence of the importance of informal channels is provided by Chari et al. (2017: 26). They find that most jobs in Kenya are not publicly advertised and therefore it is difficult to access information on job opportunities without existing relationships with employers.
- *Bribery.* Bribery and corruption are other major obstacles young Kenyans face in securing jobs (World Bank, 2012: 34). The World Bank (2012) found that demands for bribes to get jobs are common in Kenya, and the more competitive the vacancy, the greater the amount

demanded. To the extent that youth have fewer resources, this may systematically reduce their employment opportunities.

- *Sexual harassment.* Young people are particularly at risk of sexual harassment in the job market, affecting their participation (World Bank, 2012: 35). The World Bank (2012) found that both men and women reported experiencing sexual harassment in job recruitment, but it was more commonly reported by women. A number of women said they had given up on looking for a job because of repeated experiences with sexual harassment.

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Annex: Key jobs outcome indicators and definitions

The working age population includes the population aged 15 years old and over.

The (active) labour force is made up of the employed and unemployed.

The **labour force participation rate** is the share of the active labour force in the population.

The employed are those who held a job: they reported having worked for pay or for profit for at least one hour in the previous week, in an economic activity that is remunerated in cash or in kind. Apart from wage jobs it includes income generated at the household (rather than individual) level, whether from farming or off the farm (note that while goods produced for household consumption, e.g. food, is counted towards economic activity, household level services such as child minding or food preparation are not.)

The **employment-to-population** ratio is the share of employed in the population.

Wage workers are those that work for somebody else in exchange for a salary, daily wage, or “per-task” pay.

To be self-employed is to work for oneself, making income from the profits of one’s activity. This includes employers, own account workers, and unpaid family workers in household enterprises.

Unemployment is defined as those who do not hold a job but are actively looking for one and available in the next two weeks.

Unemployment rates are the share of unemployed in the active population.

The inactive are those who do not work and who are not looking for work. They include students, discouraged workers (who have given up looking for jobs), people engaged in household work, sick people, etc.