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In collaboration with



## **The Workers' Agenda 2013**

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**Purpose**

The purpose of the Workers' Agenda 2013 is to provide a voice to the Kenyan workers during the 2013 elections and the political activities that precede the elections. The Workers' Agenda 2013 seeks to highlight interests and views of workers, provide a yardstick for workers to evaluate election manifestos of the various political parties and coalitions, and inform their election choice. The Workers' Agenda thus may help to and at the same time provide substance to election debates. The Workers' Agenda 2013 will be disseminated through panel debates with candidates and/or representatives of the various political parties and coalitions, media briefing and regional meetings with workers' representatives.

**Context**

Kenya aspires to become a globally competitive country offering high quality of life to all her citizens by the year 2030. Attainment of this aspiration hinges on the extent to which the country is able to create and nurture a competitive and adaptive human resource base responsive to the rapidly industrializing and globalizing economy. The economic, social and political pillars of the *Kenya Vision 2030* are anchored on existence of a skilful, productive, competitive and adaptive human resource base. Creation of productive, decent and sustainable employment opportunities is, therefore, at the core of achieving the country's Vision.

The Kenya government has continuously articulated the need to create sufficient employment opportunities to absorb the country's growing labour force. Various short, medium and long-term employment creation measures have been undertaken. However, unemployment, underemployment and the working poor continue to be the country's difficult and persistent problems. Kenya's employment challenge is manifested in terms of a 12.7 per cent open unemployment rate, 21 per cent underemployment and a working poor rate estimated at 46 per cent of the employed. The employment problem is compounded by rapid population growth, a growing youth population

estimated at 67 per cent of the adult population, low and unsustainable economic growth, and structural rigidities.

Kenya's employment policy landscape continues to be hinged on growth-driven employment. In addition, the country's employment creation interventions have not been integrated in national, county and sectoral policies and programmes. While political parties have been realigning themselves in readiness to the 2013 general elections, none of the parties or coalition of parties have developed a manifesto that clearly defines the workers' agenda in terms of promotion of employment creation. More particularly, the formal-informal mix of the new jobs to be created under the various initiatives taken by the government needs to be adequately addressed by the manifestos of the political parties. Also, what needs to be done to brighten the standards of living of Kenyans under the respective governments needs to be outlined.

### **The Workers' Agenda 2013**

#### ***1 Inequities in access to Employment***

Employment is globally recognized as a means of freeing people out of extreme poverty and multiple deprivations. Kenya manifests considerable levels of disparities in access and forms of employment. Wage employment data for the period 2005-2010, for example, show that Nairobi Province accounted for 25.1 per cent of the national wage employment. The comparative figures for Rift Valley was 22.5 per cent, Central (14.2%), Coast (12.4%), Nyanza (9.9%), Eastern (8.3%), Western (6.6%) and North Eastern (0.9%). Wage employment dynamics in Kenya also show inequities in access to wage employment by women. The proportion of women in wage employment, for example, increased marginally from 26.2 percent in 1995 to 28.7 per cent in 2010. Kenya has been experiencing shifts in forms of employment with casualization, contract engagement, outsourcing of jobs, subcontracting and temporary employment dominating. For example, the proportion of casual workers in wage employment increased gradually from 17.9 per cent in 2000 to 30.1 per cent in 2010.

The regional variation in wage employment is a manifestation of the regional disparities in economic activities. It is also a reflection of the unbalanced growth models pursued by the government over time. Inequitable access to employment opportunities by men and women, inclusive of emerging forms of precarious employment are a reflection of decent work deficits in the country. *The Central Organization of Trade Unions (COTU-K), therefore, calls upon political parties to institute policy, institutional and legal strategic interventions to address the identified labour market ills.*

## **2 Youth Unemployment**

The youth (18-34 years) constituted about 35 per cent of Kenya's population in 2009. The youth in Kenya also bear the greatest burden of unemployment. Data extracted from the Kenya Integrated Household Budget Survey (2005/06) confirms that youth unemployment rates are higher than adults' in all Provinces. However, differences between youth and adult unemployment may be as low as 36 per cent as in the North Eastern region, but could also be as high as 2, 3 and even 6 times as in the case of Nyanza. In terms of regions, while in North Eastern region unemployment is a generalized problem, unemployment in Nyanza is basically a youth problem. Nairobi and the Western Provinces also have an unemployment structure that is much more acute for the youth than adults, as rates are three times higher.

The youth faces specific challenges in accessing the labour market. This lowers their chances of finding rewarding employment. Besides finding it difficult to get jobs due to the tightness of the labour market, the youths have higher chances of losing their jobs in case of redundancies. Section 40(1c) of the Employment Act (2007), for example, require employers who intend to lay off workers due to redundancy to apply, as a selection criteria, seniority of workers, their skills, ability and reliability. Obviously, this criterion puts young workers at a disadvantage in the event of redundancies. The youth also faces barriers to entry into the labour market arising from lack of or inadequate work experience, and path dependence,

which dictates that early unemployment increases the likelihood of subsequent unemployment. This situation may make the youth to get trapped into a lifetime of weak attachment to the labour market alternating between low paid insecure work and open unemployment. *The Central Organization of Trade Unions notes that political parties need to facilitate development and implementation of effective employment policies to exploit the country's youth dividend.*

### **3 Differences in Wage Earnings**

Kenya has considerable regional variations in wages. This is attributed to the ineffective wage formation systems adopted by the country. The highest wages are paid in Nairobi in all worker categories, but the biggest difference is among employees of formal private businesses. The narrower differences are among employees of informal business, which constitutes the self employed and unpaid family workers. There also exist public-private sector wage differentials in Kenya with employees in higher cadres earning much more than those in the lower cadres. *It is the considered view of the Central Organization of Trade Unions that the country's market clearing wage is distorted by inefficient pay structures. Consequently, it is imperative that Kenya develops and implements a wage policy. The wage policy should be one that promotes economic growth with jobs; payment of decent wages; creates aggregate demand for goods and services; provides equity dividend in terms of equal pay for work of equal value; enhances social protection as a tool for redistribution; promotes social dialogue and rights at work without inhibiting the spirit of national, regional and global competitiveness.*

### **4 The GDP Growth-Employment Nexus**

Kenya's employment policy landscape has consistently revealed reliance on economic growth as a driver of employment creation. This policy option considers employment as an off-shoot of economic growth. Kenyan employment and economic growth data reveal existence of a weak nexus between economic growth and creation of formal jobs. From mid-1980s, for example, slowdown in economic growth has been associated with declining

formal employment while growth spells have witnessed acceleration in formal jobs. Past employment and economic growth data shows that Kenya's employment elasticity declined from 1.28 in 1992-1996 to 0.5 in 2004-2008. In the high growth period of 2002-2007, the country's employment elasticity averaged 0.4. This is low compared to Kenya's past. The employment elasticity realized during the high economic growth spells of 2002-2007 was also low relative to the Sub-Saharan African standard of between 0.5 and 0.7, and a benchmark of 0.7 for developing countries aspiring to attain a middle-income country status.

Studies show that growth-oriented employment requires rapid economic growth rate of at least 7.5 per cent per annum sustained over decades. In the context of Kenya's employment dynamics characterized by low employment elasticity and the rapidly growing labour force, only a phenomenal growth in the economy would lead to meaningful generation of jobs in the country. Given the low employment elasticities in Kenya, even a growth rate of 10 per cent per annum and above would not produce sufficient decent employment. Further, most employment is being created in the informal sector where jobs are precarious in nature.

*The Central Organization of Trade Unions considers that Kenya needs to undertake a policy reversal and abandon the growth-oriented employment policy for employment-oriented growth. Past economic growth and employment data has shown that Kenya has over time experienced jobless growth. This has mainly been attributed to the low and unsustainable economic growth, and the weak capacity of the Kenyan growth sectors to create adequate and durable employment opportunities. The employment-oriented policy option would require that the employment is integrated in the economic, social and political development agenda at all levels of the country's governance.*

## **5 Formalizing the Informal Sector**

Connected to the policy concern of whether to pursue growth-oriented employment or employment-oriented growth is the issue of informality. Kenya's Medium Term Plan (2008-2012) envisaged an economic growth rate of 4.5 per cent in 2008; 7.9 per cent in 2009; 8.7 per cent in 2010; 9.4 per cent in 2011 and 10 per cent in 2012. According to the Medium Term Plan, the 10 per cent economic growth rate would be sustained up to the end of the *Kenya Vision 2030* horizon. The Medium Term Plan projected a rate of employment growth equivalent to the rate of growth of the economy. Effectively, this assumed an employment growth elasticity of one. This is, however, unrealistic since an economy cannot sustain a 10 per cent growth rate with stagnating labour productivity. An employment elasticity of one might not even be desirable, as it assumes economic growth is simply extending economic activity with no increase in labour productivity.

A scenario analysis of Kenya's employment challenge over the next 20 years predicts employment increases from about 15 million to about 25 million people between 2010 and 2030. The worst scenario in this extrapolation, which considers a slow growth rate of 3.5 per cent and a low employment elasticity of 0.4 results in an employment mix of about 10 per cent formal and 90 per cent informal employment by year 2030. This scenario shows worsening informality which starts at 86 per cent in 2010 and ends up at 89 per cent in 2030. In an intermediate scenario where the economy grows at 7 per cent per annum and a formal employment elasticity of 0.7, the share of formal employment increases from 14 per cent in 2010 to 22 per cent in 2030. The brightest scenario which considers rapid economic growth of 10 per cent per annum and high employment elasticity of one produces a vigorous creation of formal jobs such that by 2030 the employment mix splits in half between formal and informal jobs. This scenario, as already discussed, is unrealistic.

The employment challenge in Kenya involves two dimensions: (i) creating the needed number of jobs and (ii) ensuring jobs are of good quality. Under the

conditions of Kenya one can assume that jobs in the formal sector are also jobs of acceptable quality. These tend to be good jobs in terms of wages, hours of work and access to the benefits provided by labour markets regulations in the country. But this is not necessarily the case in the informal sector. The implication is that creation of jobs within the informal sector will have to be accompanied by specific actions to ensure minimum quality employment. Things will obviously improve substantially if the best combination of growth and formal employment creation is in place.

The Central Organization of Trade Unions notes that the living standards of Kenyans can brighten if the productivity and employment conditions of informal employment improve even if the macroeconomic indicators of growth and formal employment creation are not as bright. In this regard, policies aimed at enhancing formal employment creation should be coupled by policies aiming to increase the productivity and improve the labour conditions in the informal sector. Since a large proportion of the labour force, even under the best scenario, will remain in the informal sector, improving the productivity of this sector with a well balanced mix of economic and social policies will make a remarkable contribution to improve the labour and living conditions of a large number of Kenyans.

## **Conclusion**

The Kenya government has continuously articulated the need to create sufficient employment opportunities to absorb the country's growing labour force. However, unemployment, underemployment and the working poor continue to be Kenya's difficult and persistent problems. Much of the employment creation measures have recognized the role of economic growth in employment. Kenya's economic growth and employment trends, however, reveal low and decreasing employment yield of economic growth. This is mainly attributed to sluggish economic growth. The implication is that the country must focus on ensuring high and sustained economic growth. In addition, employment needs to be put at the centre of all macroeconomic



policies. Further, the living standards of Kenyans will only brighten if the productivity and employment conditions of informal employment improve.

The Workers' Agenda 2013 provides an opportunity for the Kenyan workers to add their voice to the raging debate on the country's governance. The Kenyan workers present this as a checklist for judging the commitment of political parties and their leadership to the plight of the Kenyan workers and their families. The response by the political parties, leaders and members to the challenges raised in the Workers' Agenda 2013 will be of critical significance to the workers and their families in informing their choice in the March 4<sup>th</sup> 2013 General Elections.