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Highlights of Current Labor Market Conditions in Kenya

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Kenya entered the 21st Century in the middle of what was arguably the worst economic crisis since the country gained independence in 1963.

The GDP growth rate has declined continuously from a peak of about 6.5% per year during the decade 1963 – 72, to less than 4% per year in the following decade, to, more recently, only about 1.5% per year during the 1990's. GDP actually fell about 1.2% in year 2000. The growth rate was about 1.1% in 2002. (See Table 1 for general economic indicators.)

The poor economic performance was due to several factors, including prolonged drought that lead to power rationing, inadequate infrastructure, and low agricultural productivity. Poor governance and corruption have also had a negative impact on growth as it made it very expensive to do business in Kenya.

In the 1970s, the national poverty rate was 29%. Poverty has grown considerably in subsequent decades. A recent study shows that the level of absolute poverty has increased to about 57% in 2000. Between 1996 and 1999, the number of people living below the poverty line increased from about 11.5 million to a about 15 million. The twin problems now facing the Kenyan economy are poverty and a high level of unemployment. HIV/Aids, which now takes 710 lives per day, has further undermined productivity. HIV/Aids has very far-reaching repercussions for the economy since it affects the most productive age groups, especially 15 to 49 year olds. AIDS has also put great pressure on the government and the society at large in terms of caring for the sick, reduced productivity on the job, and the burden of caring for orphans.

A cabinet committee on HIV/Aids has been formed, chaired by the President of Kenya to mobilise resources to fight the HIV/AIDS scourge.

Table 1
KEY ECONOMIC AND SOCIAL INDICATORS 1998 – 2002

INDEX NUMBERS: (1982=100)		1998	1999	2000	2001	2002*	
DESCRIPTION							
1. Population	(Million)	28.8	29.5	30.2	30.8	31.5	
2. Growth of GDP at constant prices.	(per cent)	1.8	1.4	0.2	1.2	1.1	
3. GDP at market prices.	(KSh. Mn)	694,028.7	743,478.6	796,342.9	882,725.0	969,353.9	
4. Net cost of petroleum products.	(KSh. Mn)	21,008.6	29,954.8	53,667.0	44,375.3	40,017.7	
5. Trade balance.	(KSh. Mn)	-76,608.1	-83,841.6	-113,276.8	-142,518.0	-88,426.7	
6. Money Supply (M3).	(KSh. Mn)	303,750.0	312,116.0	314,686.0	322,923.0	350,733.0	
7. Total domestic credit.	(KSh. Mn)	350,629.0	371,363.0	379,159.0	380,210.0	410,231.0	
8. Balance of payments (current account balance).	(KSh. Mn)	28,688.0	-6,303.0	-15,189.0	-43,795.0	4,727.0	
9. Coffee-marketed production.	(000 tonnes)	51.3	64.3	98.0	54.6	46.7	
10. Tea-marketed production.	(000 tonnes)	294.2	248.8	236.3	294.6	287.1	
11. Maize-marketed centrally.	(000 tonnes)	218.0	223.5	201.2	461.5	399.1	
12. Wheat-marketed centrally.	(000 tonnes)	176.7	52.9	70.5	77.7	57.2	
13. Sugar-cane production.	(000 tonnes)	4,661.4	4,415.8	3,941.5	3,550.8	4,502.2	
14. Milk sold centrally.	(mn litres)	126.0	180.0	137.0	148.0	178.0	
15. Manufacturing output.	(KSh. mn)	703,000.0	742,500.0	661,200.0	669,600.0	684,700.0	
16. Construction output.	(KSh. Mn)	37,800.0	43,214.0	47,103.4	53,615.3	61,121.4	
17. Cement Consumption.	(000 tonnes)	1,071.9	1,111.1	1,067.0	1,089.0	1,172.8	
18. Petroleum Consumption.	(000 tonnes)	2,199.1	2,311.6	2,448.1	2,385.2	2,305.9	
19. Electricity consumption.	(GWH)	3,601.8	3,685.2	3,320.7	3,489.8	3,742.0	
20. Tourism earnings.	(KSh. Mn)	17,509.2	21,367.0	21,553.0	24,256.0	21,734.0	
21. New registration of vehicles.	(number)	31,718.0	27,892.0	20,236.0	26,024.0	32,638.0	
22. Rail freight.	(mn tonnes-Km)	1,111.0	1,491.6	1,556.9	1,603.0	1,538.0	
23. Air passengers handled.	(000)	3,566.0	4,002.0	4,383.0	4,329.0	4,474.0	
24. Wage employment.	(000)	1,678.4	1,688.2	1,695.4	1,677.1	1,699.7	
25. Education-primary enrolment.	(000)	5,919.6	6,064.1	6,175.6	6,314.6	6,371.2	
26. Education-secondary enrolment.	(000)	700.5	724.8	759.0	804.5	847.3	
27. Education-post -secondary enrolment.	(number)	83.6	86.1	95.4	111.9	127.7	
28. Hospital beds and cots.	(number)	52,186.0	54,186.0	56,416.0	58,080.0	60,657.0	
29. Registered doctors and dentists.	(KSh. Mn)	4,997.0	5,145.0	5,252.0	5,393.0	5,501.0	
30. GDP Per capita (Current).	(KSh. mn)	20,747.7	21,736.6	22,690.6	24,987.9	26,998.4	
31. GDP Per capita (Constant).	(KSh. mn)	3,556.4	3,527.3	3,424.8	3,398.6	3,360.1	
32. Government Budget Out-turn.							
33. Overall Deficit (% of GDP) at Current Market Prices.	(KSh. Mn)	0.6	1.8	-1.6	-3.2	-4.7	
34. Overall Deficit (-)/Surplus (+)	(KSh. Mn)	4,318.8	13,025.4	-12,826.7	-28,448.0	-45,722.8	
35. Recurrent Revenue and Grants	(KSh. Mn)	185,246.8	188,797.8	201,450.0	193,230.5	237,301.5	
36. Total Expenditure.	(KSh. Mn)	243,336.5	226,151.1	270,068.2	307,714.7	342,450.7	
37. Debt Service Charge as % of GDP.		4.5	4.6	2.0	3.3	3.0	
38. External Debt Service as % of Exports of Goods & Services.		16.5	16.3	6.9	11.4		
		173.0	186.0	191.0	204.0	226.0	1998 – 2000 Annual % Rate of change
INDEX NUMBERS: (1982=100)		179.0	162.0	187.0	222.0	169.0	6.9
Export Volumes		100.0	86.0	84.0	79.0	78.0	-1.4
Import volumes		106.5	112.6	123.9	131.0	133.6	-6.0
Terms of trade		87.1	94.1	98.5	107.1	120.7	5.8
Consumer prices+		107.3	105.2	104.2	89.3	86.8	8.5
Real wages							-5.2
Agricultural terms of trade							

** Provisional

*** Year ending 30th June

+ Weighted New Kenya Index (October 1997=100)

**** The population figures are adjusted for underreporting and therefore higher than enumerated figures during census year.

Economic Survey 2003

Table 2 shows the HIV/Aids prevalence in urban and rural areas.

Table 2
Estimated HIV/AIDS Prevalence, 1998 – 2002 (Per cent)

Prevalence (per cent)	1998	1999	2000	2001	2002
Urban	18.1	17.8	17.5	17.0	16.5
Rural	13.0	13.0	13.0	13.0	12.5
Total	13.9	13.5	13.5	13.4	12.9

Source:- National AIDS/STI Control Programme (NAS COP)
 Economic Survey 2003

Labour Force and Employment

In Kenya, the labour force was estimated to be 11.5 million in 1996. Between 1986 and 1996, the average growth rate in the labour force was 4.1% per year. The growth in employment required to absorb this growing labour force is about 492,000 new jobs annually. Yet employment increased only between 2 and 2.5% annually from 1986 to 1995. As a result, more than two million Kenyans were unemployed, and even among those counted as employed, a significant proportion was underemployed particularly in small-scale agriculture and the informal sector in both rural and urban areas.

Unemployment in Kenya has therefore become a serious problem. Average unemployment is currently 23%, and is even higher for youth that drop out of school and for women, averaging 25% in both cases.

The small-scale agricultural sector is the single largest source of employment in Kenya, absorbing 51% of the labour force. The urban informal sector is the next largest source of employment, comprising over 10% of the labour force, followed by the urban formal sector, at 7% in 1994.

The recent African Growth and Opportunities Act (AGOA) enacted by the government of the United States has led to increases in employment especially in the textile industry. It is estimated that between October 2000 to December 2001 two hundred thousands jobs will have been created (200,000). However, the government of Kenya is struggling to meet the conditions of AGOA especially in labour standards and good governance. Moreover, AGOA does not promote quality employment and the conditions in AGOA industries resemble those in the export-processing zones (EPZs).

The National Rainbow alliance government NARC promised to create 500,000 jobs annually starting 2003. In the first quarter of 2003, 7,000 jobs have been created under the AGOA.

However, between January – March 2003 there has been massive Industrial Unrest in the EPZ zones. These were occasioned by poor working conditions and lack of Trade Union representation because of Government Exemptions. The NARC Government has authorised recruitment of members into trade unions. The Government has therefore revoked the exemption against unionisation. A part from poor working conditions the unrest would be seen as a sign of confidence by workers in the new Government to listen to their problems. The Non Governmental Organisations have also been interfering with EPZs by inciting workers but not giving any solutions. By end of March

2003 the Tailors and Textile Workers Union had recruited an extra 13,000 members. In June 2003 the Tailors and Textile Workers Union had recruited 23,000 members. The Union is engaged in an Educational Programme. The EPZ have a potential of about 250,000 members. The Tailors and Textiles Union has signed recognition agreement with several employers and a few have signed Collective Bargaining Agreement.

Table 3
Persons Employed, 1994-2000, in Thousands

	1995	1996	1997	1998	1999	2000	2001	2002
Modern Establishment (Urban and rural areas wage employees)	1,557	1,619	1,647	1,665	1,674	1,677	1,677	1,700
Self-Employed and unpaid family workers	61.1	63.2	64.1	64.8	65.1	65.3	65.4	65.5
Informal Sector	1,141	2,644	2,987	3,354	3,738	4,151	4,624	5,086
Total	3,859	4,326	4,698	5,083	5,477	5,893	6,367	6,858

* Provisional

Source: Economic Survey 2003

The unemployment situation has been made worse by the negative effects of the structural adjustment programmes and Globalisation. The public service has been retrenching workers since 1993. In the year 2000 alone, about 50,000 civil servants were laid off. Other parastatal organisations have also been retrenching. Railways has fired more than 10,000 workers between 1999-2001 without paying terminal benefits. However the NARC Government promised to create 500,000 jobs in the modern sector. The Government has also stopped privatisation until a legal framework is put in place to protect stakeholders.

The Finance Minister presented the 2003/2004 budget to the National Parliament in June 2003. The budget included expenditure on free education and affordable medical services. The tax exemption was raised from Kshs. 9,600 to Kshs. 24,000. Value added tax (Vat) was reduced from 18% to 16%. Budget allocation for education was increased from 2.8 billion in 2002/3 to 9 billion in 2003/4. The gross recurrent expenditure during the year 2003/4 was budgeted at 334.1 billion and gross development was set at 59.5 billion out of which Kshs. 35.9 billion will be financed from external sources.

The NARC Government in January 2003 came up with an economic recovery strategy paper which was said to be a modification of the PRSPs to include the NARC manifesto. The economic recovery strategy paper is not a prescription in the sense of the Government Action Plan on the PRSP. It is aspirational in the spirit of the NARC manifesto and strategic as the PRSP should be. The economic recovery strategy should therefore be seen in the context of sequencing of the reform Agenda. There are national wide consultation on the economic recovery strategy paper and we are happy that the trade unions have been adequately consulted. The Economic Recovery Programme was released in May 2003. Already the NARC Government has implemented free primary education up to grade 8.

The NARC Government did start cracking down on corruption where we have seen the Chief justice resign the governor of Central Bank resign, the Managing Director of Kenya revenue authority resign. The Managing Directors of Kenya Power and Lighting, Telecommunications, Posts and Communication Commission of Kenya sacked and charged in the Court of Law. Goldenberg Public enquiry continued in the quarter.

The Permanent Secretary Ministry of Health the former Director of Kenyatta National Hospital the Directors of Euro-Bank have been prosecuted in connection with Graft. A number of plots of grabbed public land have been returned. The government called upon all Public Servants to declare their wealth and how it was acquired.

Apart from following graft, two Commercial Banks collapsed which were for indigenous Kenyans namely Euro Bank and Daima Bank. The Directors are facing charges. These banks had relied on funds from state owned Enterprises and the National Social Security Fund. The New Government in an effort to fight graft insisted that all loans given to people politically connected to the previous administration should be repaid. The biggest challenge remains the creation of 500,000 jobs yearly. By June 2003 only about 70,000 jobs had been created. A Report on graft in the judiciary was released and a number of Judges and Magistrate mentioned have been asked to resign. COTU (K) is part of anti-corruption commission established earlier in the year.

Table 4
Population, Labour Force, Employment, 1990-96 in Thousands

	1990	1993	1996	Increase 1993-96
Population	22,777	24,968	27,176	2208
Labour Force	9,386	10,400	11,469	1,069
Traditional Agriculture	5,082	5,571	6,124	553
Rural-non-farm	844	925	1,017	92
Modern Sector Employment	1,409	1,474	1,555	82
Urban Informal Sector low	387	553	775	222
Urban Informal Sector high	490	687	964	277
Urban unemployment low	419	544	640	96
Urban unemployment high	316	410	451	41
Unemployment rate high	23.6	23.8	23.8	0
Unemployment rate low	16.2	17.8	16.8	-1

Source: Republic of Kenya Department Plan 1994 – 6

Income of Industrial and Agricultural Workers

In Kenya, the Government is responsible for the establishment of minimum wages. The schedule of minimum wages is appended for Nairobi and Mombasa. Wages above the minimum wage are determined by the Wage Guidelines that spells out the modalities in wage fixing. Strong trade unions are therefore given a chance to propose increases in wages depending on

inflation rate, the employment effect, and the ability of enterprises to pay higher wages. The effects of HIV/Aids are forcing children into child labour for survival. Average wages still remain low as indicated in Table 5. COTU (K) in an effort to improve minimum wages has sent its proposals through the General Wages Board which will be taken in consideration when raising minimum wages in May 2003. The government increased minimum General Wages by 11% and 15% for the agricultural sector. Wages are higher in the service industry as compared to Agriculture and Quarry and Mining.

Table 5
Average Wage Earnings Per Employee, 1998– 2002 (Ksh. Per annum)

	1998	1999	2000	2001++	2002*
PRIVATE SECTOR					
Agriculture and forestry	50,937.0	59,287.4	67,062.0	74,595.6	83,363.5
.....	71,186.5	80,320.2	90,003.3	102,657.4	117,418.3
Mining and Quarrying	135,790.7	158,205.4	177,614.3	194,869.5	211,715.7
.....	161,373.4	236,173.6	274,461.6	316,976.6	367,484.4
Manufacturing	116,435.5	136,234.0	156,827.9	175,759.3	200,698.8
.....	183,965.7	215,340.7	251,308.2	291,620.5	339,820.1
Electricity and Water	196,999.0	227,427.6	266,584.9	322,235.4	383,274.6
.....					
Building and Construction	241,478.2	277,762.8	320,497.7	374,016.0	433,721.8
.....	139,546.5	161,523.4	187,980.4	219,899.3	255,187.9
Trade, Restaurants and Hotels					
Transport and Communications					
Finance, Insurance, Real Estate & Business Services					
Community, social & Personal Services					
TOTAL PRIVATE SECTOR	131,151.9	152,459.2	175,845.9	202,083.2	231,452.8
PUBLIC SECTOR					
Agriculture and Forestry	74,566.6	85,628.7	102,187.0	119,596.3	139,848.3
Mining and Quarrying	122,997.2	133,654.9	151,277.8	168,080.9	185,705.7
Manufacturing	94,750.6	106,592.3	124,847.2	143,866.1	167,050.5
Electricity and Water	154,091.6	175,692.4	209,572.9	245,501.9	285,888.9
Building and Construction	108,631.8	124,530.3	148,239.7	173,508.6	202,858.6
Trade, Restaurants and Hotels	153,094.1	171,760.7	200,684.8	230,178.1	309,234.3
Transport and Communications	157,607.3	180,017.5	215,425.5	255,709.7	305,480.3
Finance, Insurance, Real Estate and Business Services	290,389.7	334,888.9	401,016.4	469,769.6	579,043.9
Community, Social & Personal Services	134,743.4	148,773.5	168,009.3	191,118.3	218,002.1
TOTAL PUBLIC SECTOR	132,136.2	147,279.3	168,956.0	193,826.8	223,939.6
TOTAL PRIVATE & PUBLIC SECTOR	31,569.1	150,316.4	173,031.7	198,841.7	228,540.4
MEMORANDUM ITEMS IN PUBLIC SECTOR					
Central Government	114,068.5	119,036.6	121,047.6	135,863.5	142,766.0
.....	146,080.0	151,006.0	155,916.0	163,661.2	190,653.4
Teachers Service Commission*** ...	127,946.0	170,018.0	227,433.7	274,790.0	334,419.4
Parastatal Bodies+	164,978.0	198,802.0	299,774.0	361,596.0	438,977.5
.....	125,338.0	154,035.6	186,302.8	219,702.0	255,293.7
Majority control by the public Sector ++..					
Local Government					
.....					
TOTAL PUBLIC SECTOR	132,136.2	147,279.3	168,956.0	193,826.8	223,939.6

* Provincial

Source: Economic Survey 2003

** Refers to position as at 30th June, figures have been annualised by multiplying by 12 for earnings.

*** Refers to Government wholly-owned corporations

+ Refers to institutions where the Government has 51 per cent or more shareholding but does not fully own them.

++ Revised.

Average annual earnings per employee in the public sector recorded a growth of 15.5 percent compared to 15.0 per cent recorded for the private sector employees in 2002. The growth in average earnings in the public sector is as a result of the increase in housing allowance. There are notable disparities between the average annual earnings per employee in the private and public sectors in most of the economic activities. Average annual earnings for civil servants in the Central Government rose by 5.1 per cent to Kshs. 142,766.0

per annum as compared to a rise of 16.5 per cent to Kshs. 190,653.4 for employees of the Teachers Service Commission in 2002.

Table 6
Wage employment, prices and real earnings, 1995 – 2002

[1]	1995	1996	1997	1998	1999	2000	2001	2002
Wage employment	3.4	4.0	1.8	2.1	0.6	0.4	-1.1	1.3
Average earnings at current prices	21.7	122.7	20.6	18.6	14.2	15.1	14.9	14.9
Consumer prices (inflation rates)**	1.6	9.0	11.2	6.6	5.8	10.0	5.8	2.0
Real average earnings	20.1	113.7	9.4	12.0	8.4	5.1	9.1	12.9[2]

* Provisional

** Inflation rates are derived from Nairobi consumer price indices and are a weighted average of three income groups
Source: Economic Survey 2003

Income distribution in Kenya

One of the measures of income distribution is the Gini coefficient. In Kenya it is hard to assemble accurate information to compute the Gini coefficient. It is estimated that Kenya's Gini coefficient stands at 0.57 and there is a perception that it is increasing due to lack of transparency, corruption and poor governance of both public and corporate bodies.

In Kenya the wealthiest 10% of the population receive 47% of the income while the poorest 20% receive 1.5% of the GDP. This means that the poorest 20% of the population receive just \$260 each year, or \$0.70 per day. The Gini results are supported by estimates of absolute poverty, under \$1 per day, affecting 60% of the population. Table 7(a) and (b) summarize the income distribution in Kenya.

Table 7 (a): Household Monthly Expenditures by Deciles

Deciles	Amount (Million Kshs.)	% Expenditure	% Cumulative Expenditure
1.	88.7	0.2	
2.	546.3	1.3	1.6
3.	855.6	2.1	3.7
4.	1,440.1	3.5	7.2
5.	1,865.6	4.6	11.7
6.	2,507.0	6.1	17.9
7.	3,337.6	8.2	26.1
8.	4,484.1	11.0	37.0
9.	6,505.7	15.9	53.0
10.	19,192.8	47.0	100.0
Total	40,823.5	100.0	

Table 7 (b): Gini Coefficients by Geographical Regions

Region	Household Income	Per Capita Income	Household Expenditure	Per Capita Expenditure
Nairobi	0.586	0.586	0.565	0.556
Central	0.516	0.558	0.514	0.541
Coast	0.511	0.595	0.450	0.559
Eastern	0.571	0.625	0.545	0.580
N. Eastern	0.439	0.473	0.406	0.516
Nyanza	0.563	0.581	0.574	0.599
R. Valley	0.575	0.630	0.561	0.616
Western	0.586	0.604	0.558	0.576
Total	0.571	0.625	0.558	0.612
Rural	0.549	0.577	0.541	0.561
Urban	0.540	0.554	0.496	0.519

Economic and Political Development.

In the last six months Kenya has seen the Parliament enact two anti-corruption bills in an effort to fight corruption. The anti-corruption unit of the Kenya Police has been busy investigating corruption. The Goldenberg scandal which has been put off since 1993 has a commission of enquiry appointed to bring to book the people who were associated with payment of export compensation for non-existence Gold and Diamonds. The Central Bank of Kenya (CBK) statistics indicate that the Kenyan economy recorded GDP growth of 1.1% in 2002. The recovery occurred mainly in the agriculture sector where production has returned to normal due to resumption of normal weather patterns. Telecoms services and tourism (earnings up 19.3%) were the other sectors with important growth in 2002.

The Constitution Review Conference started its work in April for one month and then resumed work for one month in August 2003. The controversial issues revolved around the creation of a post of Executive

Prime Minister devolving power from the President. One of the delegates chairing the committee on devolution of power from the Presidency was murdered.

Trade Union Activities

On the trade union front, COTU (K) has run three activities in April and May 2003 on effects of Globalization on the Kenyan economy: one around the Poverty Reduction Strategy Paper (PRSP) a new initiative for a New Partnership for African Development (NEPAD) and HIV/Aids. The activities were sponsored by the ICFTU/AFRO and a number of resolutions were passed. The conclusions called upon the government to involve trade unions in policy formulation such as the PRSP and to keep the trade unions involved new initiatives such as the NEPAD. The Economic Recovery Programme was launched in May 2003, but creation of 500,000 jobs yearly remain the biggest challenge. COTU (K) through the assistance of the I.L.O. ran a capacity building workshop on engagement of Trade Unions in the PRSP process.

COTU (K) sent a delegation of 5 Trade Unionists to the I.L.O. annual conference in June 2003. The Kenyan Vice President was elected the President of the I.L.O. Governing body.

The Trade Unions are involved in the Labour Laws review and the Constitution Review Conference. The trade unions also need representation in Parliament by being allocated ten seats. COTU (K) has protested the interference of the Kenya Government in the running of the National Social Security Fund (NSSF). The Government had sacked the Managing Trustee of the Fund without consulting workers and employers representatives and has occasionally made decisions on where to invest the Funds' money without consulting workers. In order to underscore that the Government had contravened I.L.O. Convention 144 on tripartite consultation, the Trade Union team did not travel with the Government team to a recent Geneva I.L.O Conference.

Massive labour unrest which occurred in the country was mainly in the EPZs. The Government has removed the exemptions to the sector and now the Trade Unions have moved in and recruited over 23,000 members. The decision by the Government to allow unionisation in the EPZs has assisted in resolving industrial unrest in Kenya. COTU (K) together with the American Centre for International Labour Solidarity have embarked on a crash programme to educate workers in the EPZs on their rights and are also assisting the Tailors and Textile Industry with recruitment and organising campaign – COTU (K) launched an Information Technology classes at Tom Mboya Labour College with the assistance of All Chinese Federation of Trade Unions and LO-Sweden. COTU (K) also launched monthly shop steward courses especially for EPZs and the flower industry.