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THE YOUTH EMPLOYMENT CHALLENGE: THE INSERTION OF KENYA'S YOUTH INTO FORMAL AND INFORMAL JOBS

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INTRODUCTION

Kenya faces a significant unemployment problem that affects young people especially hard. Youth unemployment rates are several times higher than adult rates and particularly high in cities and among females. As young people grow up, they break the link with their family and hopefully become economically independent. During the transition from childhood to adulthood, access to good jobs of acceptable quality is essential for young people if they are to gain independence from their parents, improve their job market opportunities and enhance their prospects of forming a family.

During the last four decades, and in recognition of Kenya's unemployment and under-employment difficulties, successive government administrations have assumed and prioritized employment creation as a core policy (Republic of Kenya, 1969; 1983; 2008a; 2008b). More recently, policies aiming at employment creation have also focused on young people. Important initiatives in this regard are the Sector Plan for Labour, Youth and Human Resource Development Sector (2008–2012) and the KaziKwaVijana (KKV) programme. Launched in April 2009, the KKV aims at annually employing between 200,000 and 300,000 young people in rural and urban areas in labour-intensive public works projects that are implemented by different government ministries (Office of the Prime Minister, 2011).

This chapter uses the 2005/2006 Kenya Integrated Household Budget Survey (KIHBS) to describe the main characteristics of Kenya's youth employment challenge in search of clues to inform youth employment policies. It adopts a working definition of youth as those aged from 15 to 34 years, which mirrors the most comprehensive official Kenyan definition, but also highlights the different age subgroups that might be worth distinguishing in the context of youth employment policies.

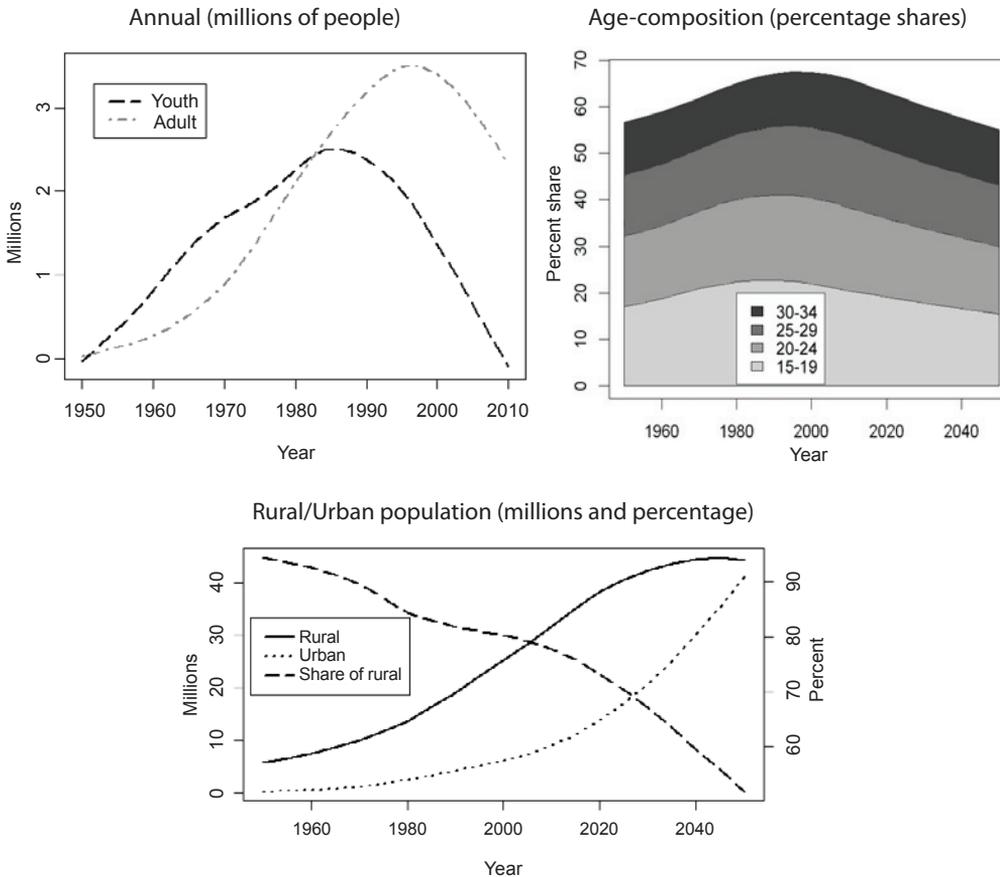
The first section of the chapter considers the main dimensions of unemployment and their conditioning factors— gender, education, income and area of residence. The second examines youth labour earnings, concentrating on people reporting wage income. The third offers a brief review of Kenya's employment and youth employment policies. The chapter concludes with some summary remarks.

THE YOUTH EMPLOYMENT CHALLENGE

In 2005/2006, because of the large youth bulge due to fast population growth, people of 15 to 34 years of age comprised two thirds of the population of working age (15–64), and many of them face the hardships of unemployment. While population growth has been receding, it is still high, and the number of people aged 15 to 34 years will continue for several decades to grow faster than the adult working-age population (Figure 7.1). Youth pressures on labour markets do appear to have begun to lessen, which may eventually make it easier to reduce youth unemployment. Kenya's population dynamics underscore the importance of further reducing fertility rates through measures such as family planning, as suggested by Kenya's *Human Development Report 2010*.

Consistent with the normal pattern, youth unemployment is considerably higher than that of any other age group (Figure 7.2); the national unemployment rate is about 10 percent, while rates for people between 15 and 25 years reach a multiple of this, with the peak occurring around 20 years of age. Understanding youth employment challenges necessarily involves looking at the entire range of activities in which they may engage. As young people reach the age at which school is no longer the only choice, they have to opt between staying there or engaging in home-based activities or joining the labour market in pursuit of a paid job. As they shift from school to the search for jobs, it is almost inevitable to find high unemployment rates, partly due to the time the search takes.

We distinguish six main activities that people engage in: those who work in a formal job, work in the informal sector or are searching for a job make up the 'economically active' group; those who choose unpaid domestic work, full-time study or other activities are the 'economically inactive'. Formal employment is here defined as paid employment in registered private companies, in the public sector (including central and local government, Teachers Service Commission (TSC), state-owned and government-controlled enterprises) and in non-governmental or international organizations. Informal employment refers to working employers, own-account

Figure 7.1: Population Trends by Age Group and Area of Residence, 1955–2100

Source: authors' construction based on UN Population estimates.

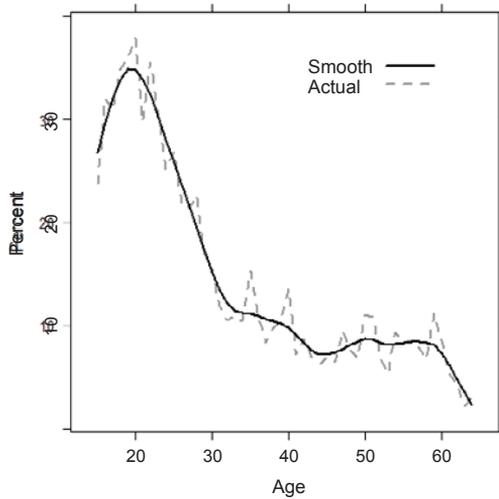
Note: data points show five-year age cohorts in a smoothed form.

workers, unpaid family members, apprentices, other workers and paid employees working for an individual or an undefined (other) employer.¹

As the share of young people in full-time studies declines rapidly between 15 and 25 years of age, work in the informal sector becomes the dominant activity, although unemployment also rises steadily from 3 to 23 percent between 15 and 20 years of age, as young people struggle to get a job, after which it decreases continuously to about 10 percent at the age of 35 and a bit further during adulthood (Figure 7.3). Early school drop-out puts pressure on the youth labour market. By the ages of 30 to 34 years the composition of young people's activities has become quite similar to that of the rest of the adult population; the big transitions have been left behind. The proportion of young people in formal jobs only begins to become visible around the age of 25; by the age of 35 it has increased to about 15 percent. At this preliminary level, employment

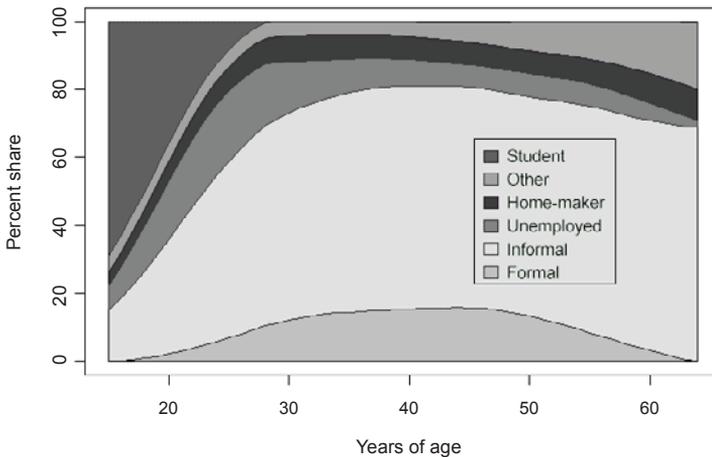
promotion policies might emphasize insertion for young people aged 15 to 28 years and promotion for those between 29 and 34 years.²

Figure 7.2: Youth and Adult Unemployment Rates, 2005/06 (percentage)



Source: authors' calculations based on KIHBS (2005/06) micro records.

Figure 7.3: Activity Choices of the Working-age Population 2005/06 (percentage)



Source: authors' calculations based on KIHBS (2005/06) micro records.

Youth unemployment is significant in both urban and rural areas but is greater in urban areas, particularly among the youngest. In rural areas unemployment ranges between 20 and 25 percent for those aged 15 to 25 years, while in urban areas it ranges from 35 to 60 percent (Figure 7.4). The difference between rural and urban unemployment decreases as age increases; high urban unemployment is partially the result of rural-to-urban migration that tends to flood the urban job market. The proportion of young people living in rural areas decreases from about 90 percent at the age of 15–18 years to 70 percent at the age of 30–34 years (Zepeda et al., 2012). Thus the lack of attractive opportunities in rural areas re-emerges as an urban youth unemployment problem.³

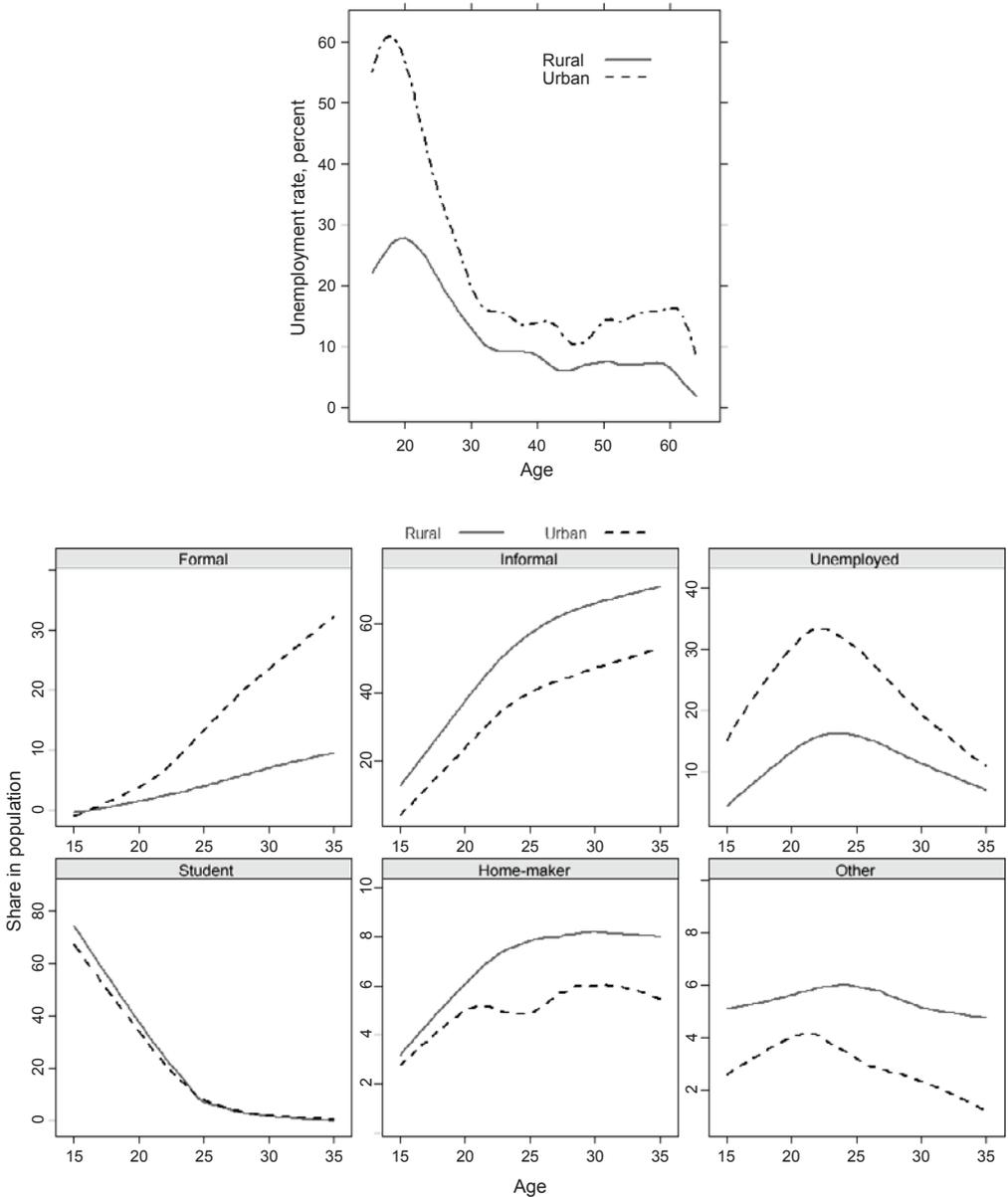
The urban setting is known for the variety of opportunities it offers; in particular the proportion of young people with formal jobs is systematically higher in urban than in rural areas (Figure 7.4). Rural labour markets, in turn, are clearly dominated by the early insertion of young people in informal employment activities, most prominently traditional farming. More people, including young people, engage in home-making and other miscellaneous activities (neither formal nor informal). Thus unemployment, either as a rate or as a proportion of the corresponding age bracket, is higher in urban areas; relatively fewer people take on informal activities, while more search for formal employment but often do not find it.

Unemployment is significantly higher among young females than among young males—by more than 10 percentage points for those aged 15 to 25 years and by a smaller amount at higher ages. At its peak female unemployment approaches 50 percent, compared to a male rate of slightly over 30 percent; at around 34 years of age, the female rate is a little above 15 percent, while the male rate is just above 5 percent. Females have fewer job opportunities, and at each age a smaller share of females have a job in both the formal and the informal sectors (Figure 7.5). The females' relative disadvantage in accessing informal jobs is worst at around 25 years of age. In the case of access to formal jobs, that disadvantage widens throughout the entire youth period. The employment problems of young females persist despite their substantially greater involvement than males in home-making activities and other miscellaneous chores. The proportion of young females who are home-makers ranges from 6 percent in the early years to 14 percent at around 30 years of age (Figure 7.5, lower centre panel). Such involvement reduces the pressure females exert on labour markets, but if their interest in other work continues to increase, there will be more female pressures on labour markets.⁴

Part of the stronger pressure exerted by young females on labour markets originates in the lower proportion than males that attend school on a full-time basis (Figure 7.5, lower left-hand panel), a gap of 10 percentage points throughout most of the period of youth. The combination of high unemployment and low school attendance calls for careful consideration in employment promotion policies: poorly designed policies might induce increases in female employment at the expense of postponing, perhaps indefinitely, their education. This reinforces the need to design employment promotion policies with a gender focus.

Unemployment is very high for young people with primary and secondary education, in the latter case reaching a peak of over 35 percent for those around 20 years of age (Figure 7.6). Unemployment is even higher for those with no formal education, but they represent only a very

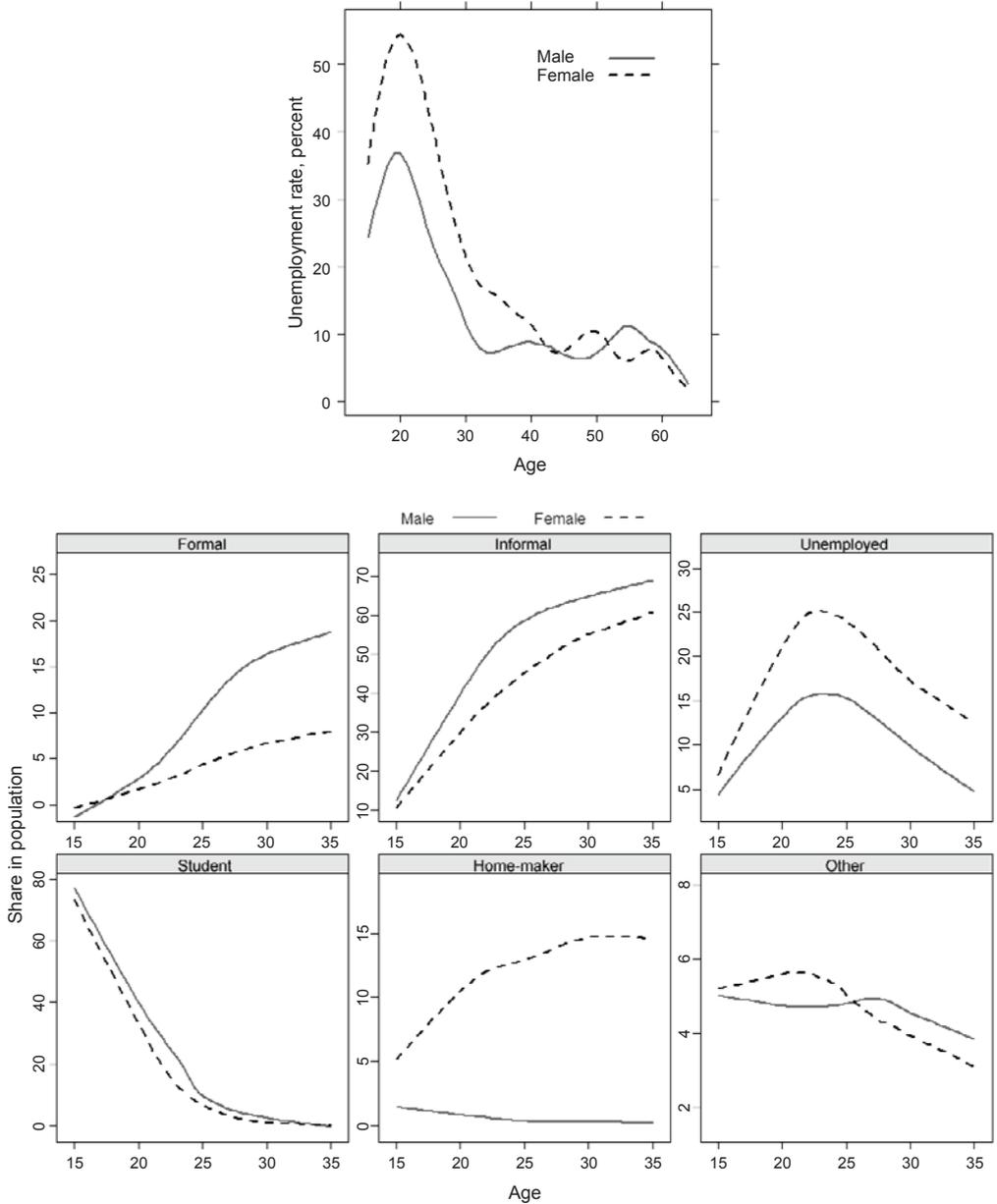
Figure 7.4: Youth Unemployment Rates and Activity Choice by Area, 2005/06 (percentage)



Source: authors' calculations based on KIHBS (2005/06).

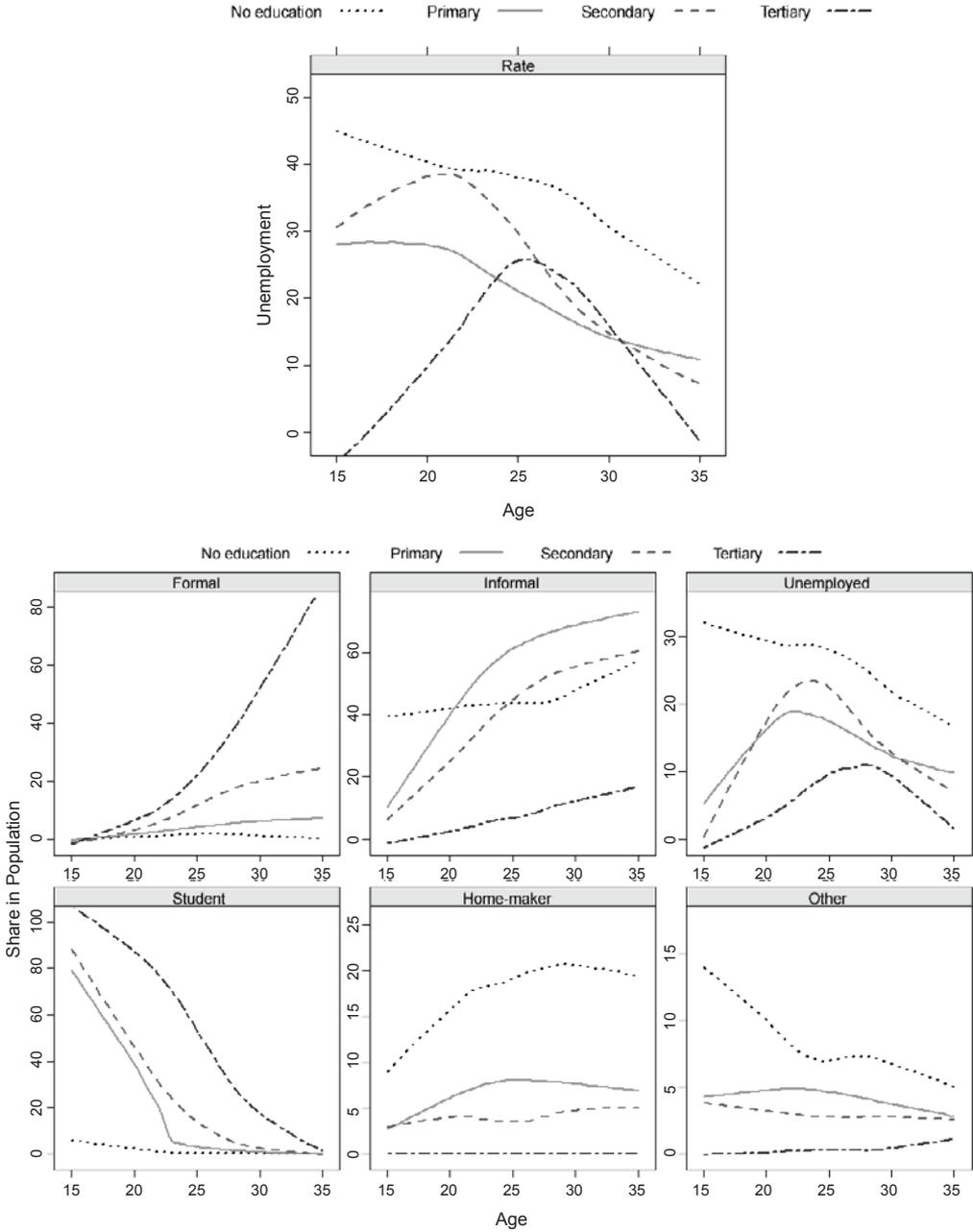
Note: data plotted in a smoothed form. Unless otherwise specified all line plots represent data smoothed by a cubic spline smoother with the degree of smoothing automatically set through cross-validation by the software.

Figure 7.5: Youth Unemployment Rates and Activity Choice by Gender, 2005/06 (percentage)



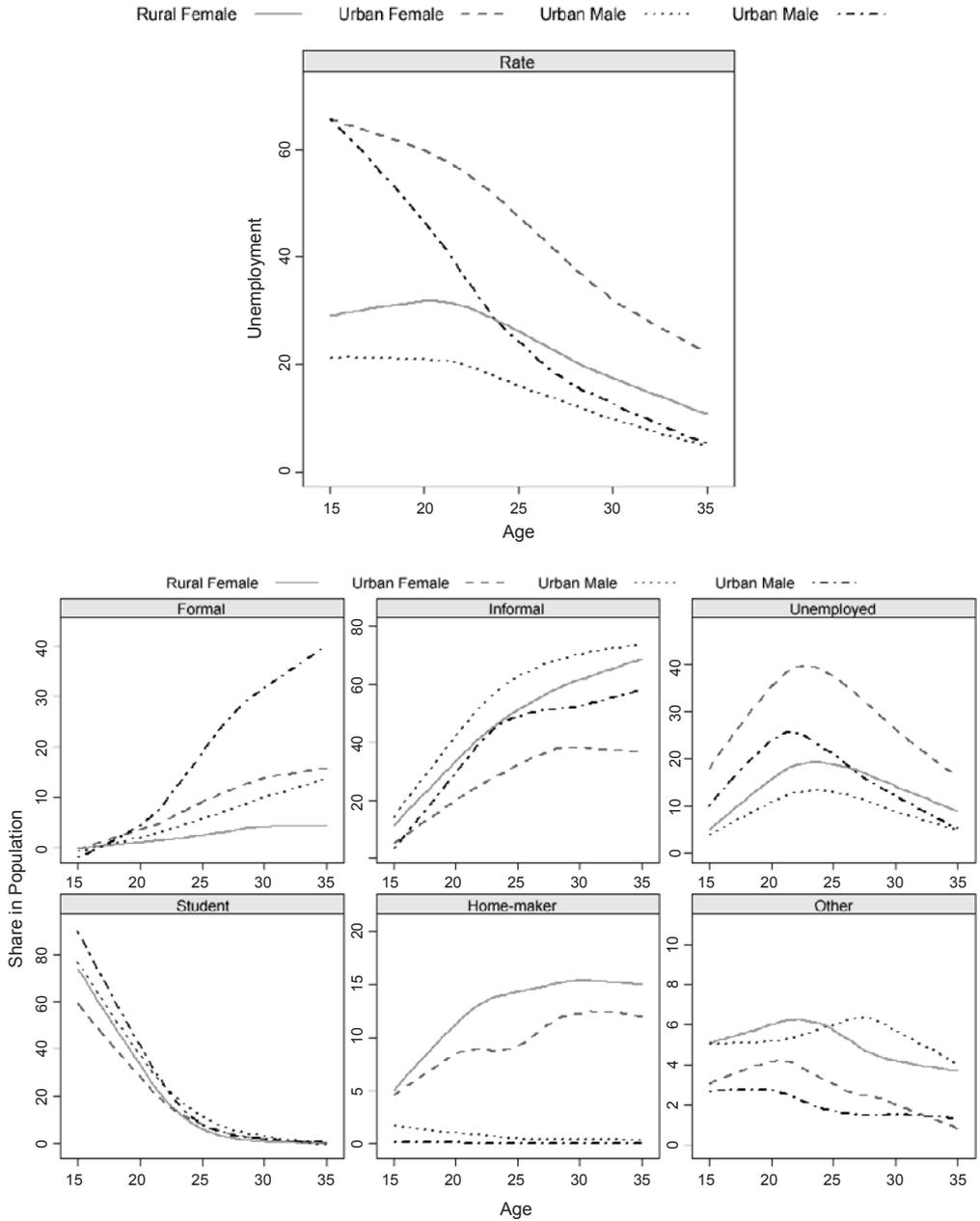
Source: authors' calculations based on KIHBS 2005/06.

Figure 7.6: Youth Unemployment Rates and Activity Choice by Educational Attainment, 2005/06 (percentage)



Source: authors' calculations based on KIHBS 2005/06.

Figure 7.7: Youth Unemployment Rates and Activity Choice by Gender, Area of Residence and Age, 2005/06 (percentage)



Source: authors' calculations based on KIHBS 2005/06.

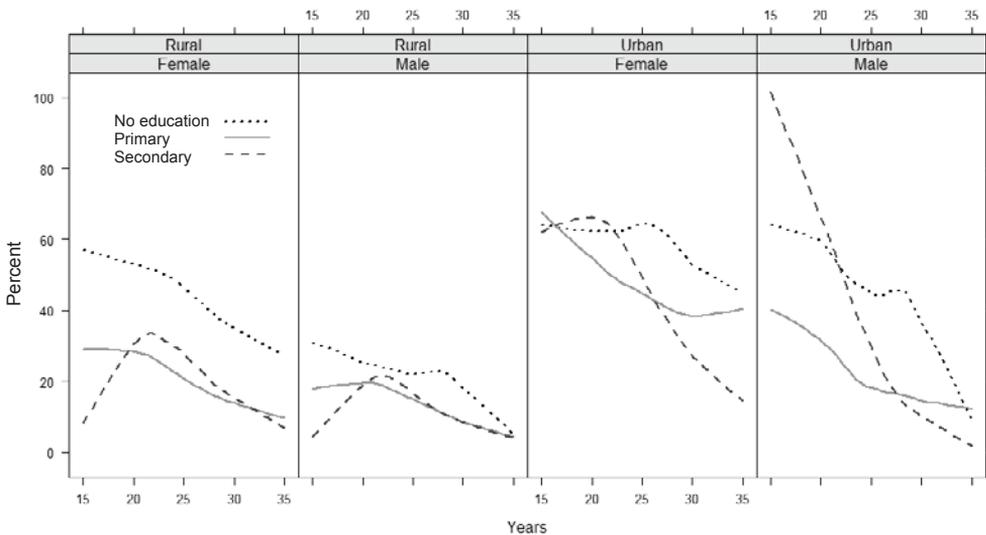
small share of the population. At age 25–30, unemployment exceeds 30percent for those with tertiary education; although the number of people involved is small compared to those with primary and secondary education, this indicates just how general the problem of unemployment is.

Access to a formal job increases with education; the unemployment rate by level of education echoes the access young people have to jobs.⁵ Very few young people with no or just primary education have a formal job (Figure 7.6, top left-hand panel); for those with secondary education it reaches around 25percent by age 35, and for those with tertiary education it gets to be over 80percent by that age. As new cohorts with more education enter the labour force, each of these percentages is likely to fall. Meanwhile, educational level is in general inversely related to having an informal job (Figure 7.6, top centre panel).

Young people with secondary education are proportionately less devoted to domestic work and other miscellaneous activities than those with primary education. Despite significantly better eventual access to formal jobs than those with only a primary education, their unemployment figures are relatively high (Figure 7.6), presumably associated with greater reluctance to take informal jobs and greater time spent searching for a job. This is the typical pattern found in developing countries.

Residence, gender, education and income do not condition choice of activity in isolation from each other. A look at gender in conjunction with area of residence, for example, reveals that unemployment affects urban females the most and rural males the least.

Figure 7.8: Unemployment Rate by Gender, Type of Area of Residence and Education, 2005/06 (percentage)

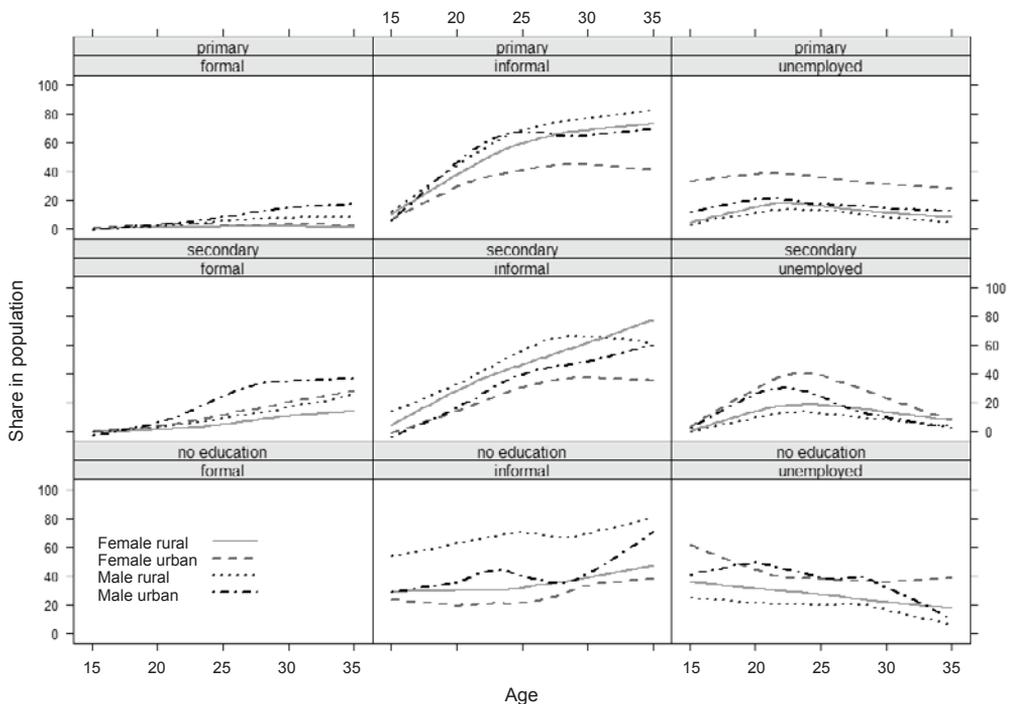


Source: authors' calculations based on KIHBS 2005/06.

Within each gender, youth unemployment is usually highest for those with no formal education. Unemployment rates of young people with secondary education are different according to area and gender: male and female rates in rural areas increase between the ages of 15 and 25 years; rates for urban males decrease continuously from 15 to 34 years, but rates for urban females only start to decrease for age groups older than 22 years (Figure 7.7).⁶ Thus, increasing education tends to lower unemployment rates, particularly among young workers older than 25 years. These unemployment patterns relate to young people's access to formal and informal jobs. Particularly, the high unemployment of urban females with primary and secondary education appears to be related to their distinctively low access to informal jobs (Figure 7.8). The better access that education grants to formal employment is an advantage enjoyed by urban males with a tertiary level but is much less apparent for other groups of young people.⁷

In summary, youth unemployment is a major challenge in both rural and urban areas, in the former because of the large numbers involved and in the latter also because of the very high rates. Significant differences by gender, area of residence and age group (within the broad official definition) suggest that policies need to focus on finer age subgroups than is currently the case. Although urban unemployment rates are significantly higher than those in rural areas,

Figure 7.9: Employment and Unemployment by Age, Type of Area of Residence, Gender and Education, 2005/06 (percentage of the population)



Source: authors' calculations based on KIHBS 2005/06.

employment promotion policies should also look carefully at rural areas. One important reason for this is that the number of unemployed young people is high in rural settings, but there are at least two other important reasons. First, the lack of job opportunities in rural areas surfaces in part as urban unemployment (as young people migrate to cities), meaning that urban unemployment levels could be reduced by successful employment promotion in rural areas. Second, the young inactive population is proportionally larger in rural areas, which means that a sudden availability of jobs might prompt them to switch from economic inactivity to participation. More rural jobs might ‘paradoxically’ result in more unemployment, as discouraged workers might decide to join the labour force, but this would on balance be a positive development.

Unemployment plagues young people from a very young age up to about 28 years, depending on their education, gender and other social factors. Quantitatively the unemployment problem is greatest for young people between 18 and 24 years. Female unemployment is worse than that of males. Young women in rural areas account for the largest number of unemployed people, and females in urban areas have the highest rates of unemployment. Youth employment promotion policies must aim to provide jobs to females in rural and urban areas, perhaps by establishing minimum quotas. They also need to consider that females might face a higher opportunity cost when attempting to work, as they may also have home-making duties. Thus youth employment promotion policies should give proper consideration to the cost of accessing jobs.

Although young people with no formal education have some of the highest unemployment rates, the most pressing problem is that of those with primary and secondary education. Youth employment promotion policies should not, therefore, restrict themselves to those with only basic skills but, rather, give priority to generating jobs for people with primary and secondary education. Given that unemployment among tertiary-educated people is not high and is limited to certain age groups, actions to improve the functioning of labour markets for people with tertiary education might be the most appropriate form of intervention.

Access to jobs and household income are directly interwoven, with unemployment rates consistently higher for young people from the bottom 40 percent of the income pyramid. Pressure from high-income households to aim promotion policies towards their constituency can be great, given that the number of unemployed people from these households is also high at certain ages. Appropriate policies to address their employment needs might be of the active type, whereas more decisive interventions might be needed to address the unemployment problems of young people from low-income households. Targeting poor people should be an important component of employment promotion policies.

Unemployment is, of course, related to the availability of informal and formal jobs. Since the data seem to suggest that the market is setting a significant premium on secondary education, not to mention tertiary education, youth employment promotion policies should avoid introducing disincentives to continue school and complete secondary education: policies might in fact consider introducing incentives to combine work and school. Given the need to improve apprenticeship programmes, policymakers might consider apprenticeships with a combination of vocational training and formal education.

Youth unemployment is due directly to the scarcity of formal job openings and the incapacity of young people to create an attractive enough job in the informal market for themselves or to find one working under someone else. Youth employment policies should thus emphasize the promotion of micro, small or household businesses, both for young people and more generally, to widen opportunities to work as owners or employees of these businesses. Promoting young females in these businesses should also be emphasized. Finally, the overall promotion effort should ensure that, wherever possible, policies benefit first people from low-income households.

MAKING A LIVING: LABOUR INCOME AND YOUNG PEOPLE

The still strong presence of traditional rural activities in the Kenyan economy is reflected in the fact that not all employment generates monetary income. This underscores the importance of distinguishing between work that is performed under traditional or non-monetary arrangements and work that takes place on a monetized basis. According to the 2005/06 KIHBS, there were 4.9 million people earning a monetary income from their labour (either a salary or the earnings from a business). Such employment is of lesser importance in rural areas but predominant in urban settings; about 20 percent of the rural population fell into this category, compared to 45 percent in cities. In terms of the number of people, the sheer size of the rural population means that the majority of people that earned some income from work are found there (2.9 million), compared to 1.9 million people in urban areas.⁸ Men are more likely to earn money from their labour than are women, particularly in rural areas.

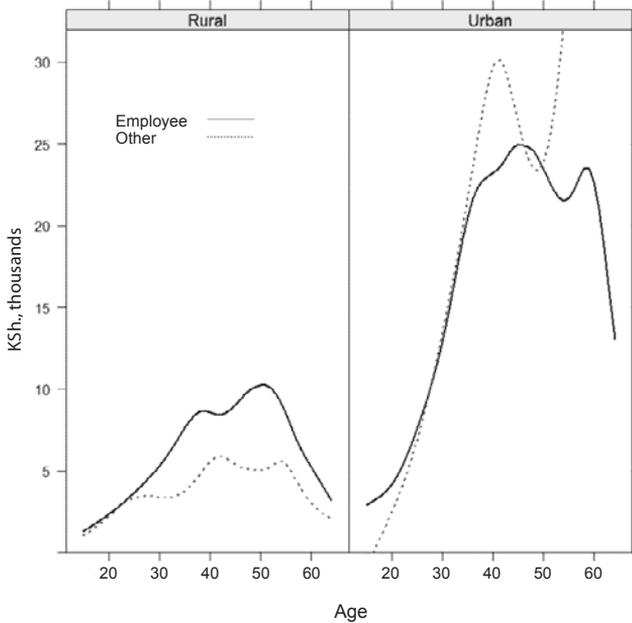
Of those receiving some income for their work, the most important category is employees. There are 1.9 million paid employees in rural areas receiving a payment and 1.4 million in urban areas, although this category constitutes a higher share of total employment in urban areas. Second in importance among those receiving a monetary income are some 850,000 own-account workers, about 580,000 of them in rural areas and 270,000 in urban areas. Other categories constitute only a small number of people.⁹ We estimate wages as the total labour income reported by paid employees and include in our calculations only those paid employees actually receiving a monetary payment.

Wages in Kenya, as in many other countries, are distinctively higher in urban than in rural areas.¹⁰ While average rural wages typically vary by age from KShs3,000 to KShs9,000 per month, in urban areas they are between KShs5,000 and KShs25,000 (Figure 7.10; note the different scales). The age pattern of wages varies with area of residence. As of 2005/06 the average urban worker reached an earnings peak somewhere between 40 and 50 years of age, while the average rural worker did so at past 50. The pace of the increase in mean wages throughout younger years is almost constant in rural areas, whereas in urban areas it starts slowly and then accelerates around the age of 30 (Figure 7.10).

Wages depend heavily on the type of employer. They are highest in the formal private sector and lowest in informal businesses (Figure 7.11) and higher in cities than in rural areas. The urban wage advantage is larger for older age groups, especially among employees in the private

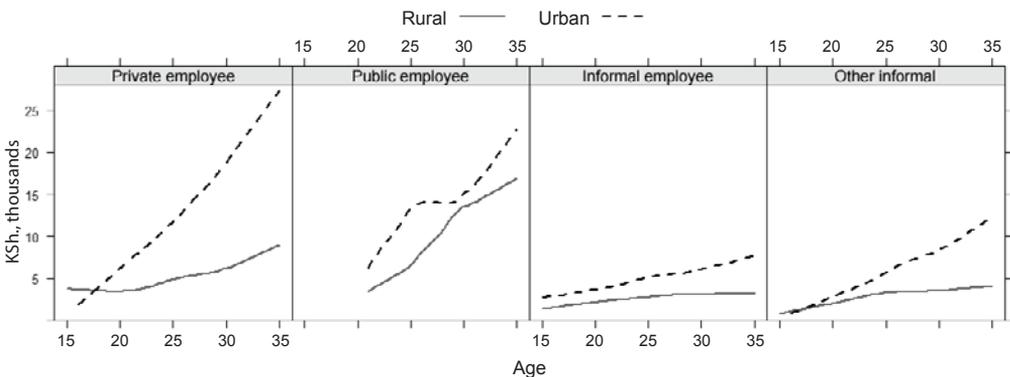
sector and, to a lesser extent, among other informal workers, although in this case we should talk of income from labour and not of wages. On the other hand, the upward trend with age is less marked among employees in informal businesses and hardly visible among public-sector employees. Finally, as expected, the wage floor for paid work corresponds to the mean wage of employees in informal businesses, which exhibits small differences either by area of residence.

Figure 7.10: Wage Variation by Age in Rural and Urban Areas, 2005/06

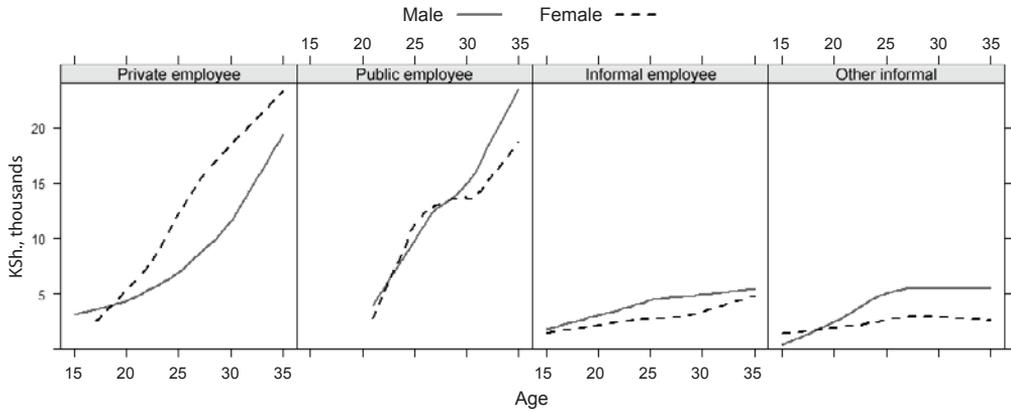


Source: authors' calculations based on KIHBS 2005/06.

Figure 7.11: Wages by Type of Employer and Location, 2005 /06



Source: authors' calculations based on KIHBS 2005/06.

Figure 7.12: Wages by Gender, 2005/06

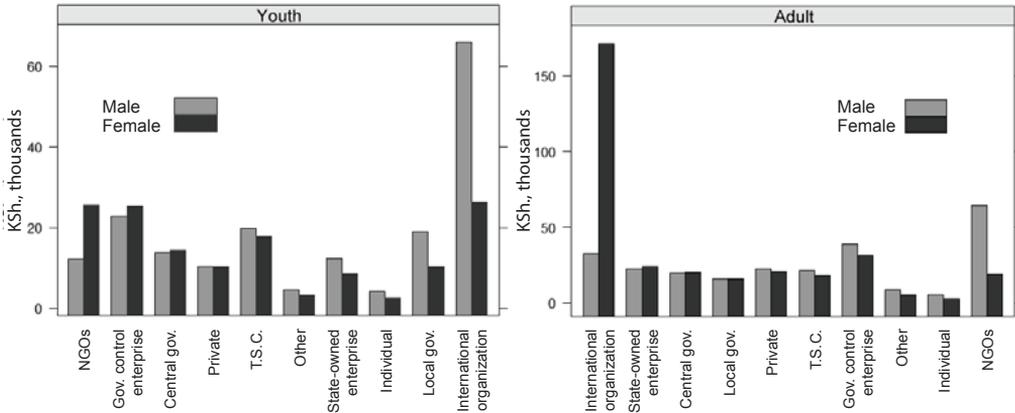
Source: authors' calculations based on KIHBS 2005/06.

Male wages are generally higher than those of females. Among young people, this is clearly the case in informal jobs and in the public sector (Figure 7.12). However, the opposite is the case for young workers aged 15–24 years in the public sector and for young people of all ages in the private formal sector. These last two results are at first glance surprising but are due to the differing composition of male and female employment by level of education and type of employer.

To better understand the wage differences between males and females, we sacrifice age detail to gain information on the type of employment. Thus we look at the wages of five age groups in 10 employment categories. Among young people, the mean wage paid to females is higher than that paid to males in non-governmental organizations and government-controlled enterprises, slightly higher in central government and practically the same in the private formal sector (Figure 7.13, left-hand panel—the bars on the left show a higher wage for young women than for young men). Female wages are lower for the rest of the employers—namely, TSC, state-owned enterprises, individual (informal) employers, local government and international organizations. The wage advantage females have in adulthood is significantly different. Females have a large advantage over males in international organizations, a small edge in state-owned enterprises and central government, almost the same wage in local government but a smaller wage in the other types of employers (Figure 7.13).¹¹ Of course, some of these differences are due to varying levels of education, as will be shown below.

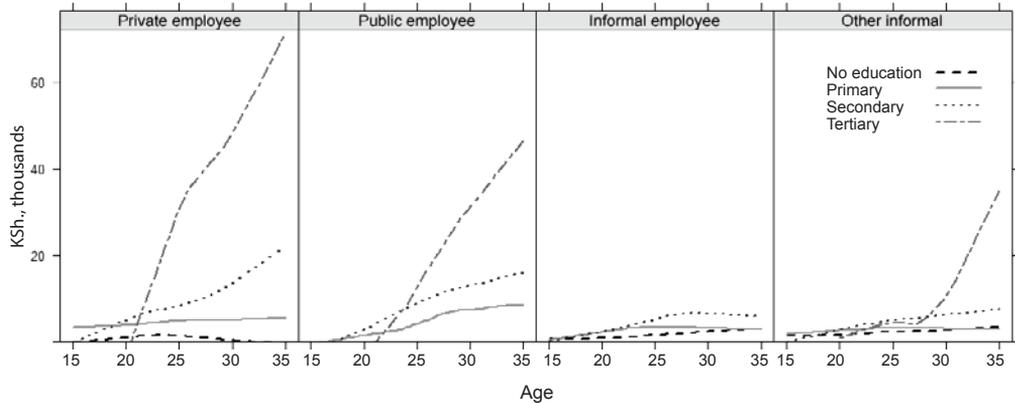
As expected, average wages increase with formal education, most notably for those with tertiary education (Figure 7.14). For employees of private formal businesses, where the contrast is sharpest, the wage of a 25-year-old with tertiary education is three times that of someone with secondary education, and at around 34 years the wage difference is five-fold. Though smaller, this gap in public-sector and informal businesses is also significant—around double by age 30 and higher for older groups.¹²

Figure 7.13: Wages by Type of Employment for Young People and Adults by Gender, 2005/06



Source: authors' calculations based on KIHBS 2005/06.

Figure 7.14: Wages by Education, Age and Type of Work, 2005/06



Source: authors' calculations based on KIHBS 2005/06.

There are also significant wage differentials among young people with secondary, primary and no formal education, but both the levels and the percentage gaps are much smaller. The differential between secondary and primary reaches three to one (Figure 7.14) in the private sector by age 34 and is twice as high in the public sector; in the informal work sector, it is much less. On the other hand, there is not much difference between the wages of a young person with no formal education and one with primary education, except in the public sector; this may be partially explained by the wage structure of public bureaucracy.

It appears that, for young people, education really makes a difference in the wages they can hope to earn, but also that the interaction between age and type of job is very important. Young people with primary education see their wages improve when they are older if they happen to have a job in the public sector. Young people with secondary education can hope to earn a higher wage when they are older in any sector, more so in the public and private formal sectors but also in the informal sector. A statistical exercise analysing wages by age, education, type of area of residence, gender and type of employment (among other variables) confirms the analysis presented here (Zepeda et al., 2012). It suggests that if everything else is equal, males earn significantly higher wages than females, and urban workers have higher wages than rural workers. The exercise also confirms that education and access to a formal job are decisive factors in determining wages. In particular, the exercise shows that while age is an important determinant of wages, education is much more important.

This suggests that workers with secondary and, especially, tertiary education are in strong demand in the economy. The idea that there is a strong demand for young people with secondary education is consistent with the rapid reduction in unemployment among this group of people as age rises. This suggests that any youth employment promotion scheme should not interfere with the pursuit of secondary education; better, policies promoting youth employment should provide incentives for young people to pursue and acquire secondary education. The wage premium of tertiary education is so large that it goes without saying that the supply might well be falling short of the market's needs.

In summary, people working for pay represent a significant proportion of the employed Kenyan population. Large numbers of people work for pay in urban areas, where they represent the majority of workers, but the largest numbers are to be found in rural areas. The majority of these jobs are for employees in informal businesses, with males dominating the work-for-pay sphere. Young people tend to work in informal businesses, as adults tend to capture a higher share of the jobs in the formal private sector and, particularly, in the public sector. This suggests that youth employment policies should consider targeting an increase in job opportunities for those aged 15–24 years in the private and public sector; this could perhaps be done through wide apprenticeship programmes.

Wage structures confirm that jobs in the public and formal private sectors are the most attractive occupations. Wages by type of employer suggest that the lowest wage paid to formal employees is the mean wage paid in informal businesses, slightly higher in cities than in rural areas and slightly higher for older young people. The analysis also confirms that there are significant wage differences between males and females. Any programme aiming to create jobs should look closely at the lowest wage paid in formal jobs and determine to what extent such a wage represents a socially satisfactory reward for work in public work programmes and to what extent a higher wage might inhibit otherwise economically viable activities. It should also pay close attention to measures that could narrow wage differences between males and females.

The large wage premium for workers with tertiary education and the opportunities for wage improvement opened by secondary education underscore the need to increase education

in Kenya. Any youth employment promotion programme should make its initiatives compatible with the aim of increasing education.

This study did not look at the impact of apprenticeships or vocational training on earnings. However, it highlighted that the size of current programmes pale in comparison to the need for bringing more young people into apprenticeships. It is recommended that any scaling up of apprenticeships should not be done in isolation from efforts to increase education.

EMPLOYMENT AND YOUTH POLICIES IN KENYA

Kenya has a long record of implementing employment policies. Over 40 years ago, for example, the 1970–74 Development Plan (Republic of Kenya, 1969) featured employment and unemployment as important policy matters. Later, in the mid-1980s, the Report of the Presidential Committee on Unemployment (1982/83) and the Sessional Paper No. 2 of 1985 on Unemployment were important components of employment policy development. More recently, The Sector Plan for Labour, Youth and Human Resource Development Sector (2008–2012) looks into unemployment as a structural issue, explicitly adding the youth dimension. In 2009 the government launched the youth-focused KKV programme, aiming to create 200,000 to 300,000 jobs in labour-intensive public works. In 2010, this programme was further extended to include training and internships, with a strong focus on infrastructure projects. This section briefly reviews Kenya's employment policy record, with special attention to the main recent initiatives addressing youth employment issues. It also quickly reviews some international employment generation policies.

Over the years, Kenya has experimented with a broad set of employment policies. Between 1963 and 2011, more than 17 types of policies have been implemented at one point or another, with employment (or more broadly labour market outcomes) as one objective. There has been considerable continuity, since 10 of the 17 policy areas have been a constant in the menu throughout the entire period. To facilitate review, we group the measures into three types—structural policies, active labour policies, and macroeconomic or horizontal policies—and distinguish three periods: 1963 to 1979, 1980 to 1989, and 1990 to the present (Table 7.1).

Macroeconomic management can be considered the predominant policy from 1990 to 2011; active labour market policies, with a certain emphasis on macroeconomic measures, were the predominant instrument from 1980 to 1989; and structural and Kenyanization policies were the predominant instrument from 1963 to 1979.

In each of these periods, policies were augmented with various short-term interventions that aimed to address particular issues of employment generation. On the other hand, interventions such as wage restraint, economic growth, industrial and agricultural promotion, public works programmes and active labour market policies are present in all three periods.

Although there has been a range of policy initiatives directed at the employment challenge, the continuously difficult employment situation implies that they have been inadequate. That said, it is difficult to assess whether these policies failed because of their focus and/or the manner

Table 7.1: Typology of Kenya's Employment Creation Interventions, 1963–2011

Employment Creation Interventions	Period		
	1963–1979	1980–1989	1990–2011
Structural Policies			
Infrastructure Development	√ √	√ √	√ √ √
Rural Development		√	√ √ √
Kenyanization	√ √ √		
Industrial Policy	√ √	√	√ √
Informal Sector Development	√ √	√ √	√
Productivity Promotion	√ √	√ √	√
Agricultural Promotion	√ √	√ √	√ √
Labour Policies			
Public Works	√ √ √	√	√ √ √
Wage Restraint	√ √	√ √ √	√
Active Labour Market Policies	√ √	√ √ √	√
Tripartite Agreements	√ √ √		
Education and Training	√ √	√ √	√
Employment and Labour Market Policies	√	√	√
Macroeconomic or Horizontal Policies			
Economic Growth	√ √	√ √ √	√ √ √
Macroeconomic Management		√ √ √	√ √ √
Legal and Legislative Reforms			√ √
Fiscal Measures	√		√
<i>Source: author's elaboration based on government documents.</i>			
<i>Note: The emphasis that these policies have in each of the three periods is represented by the number of the check mark in the corresponding box. Three check marks indicate that the specific initiative is a top policy, two marks indicate a measure that has medium importance, one mark indicate that the policy was complementary; finally, a blank indicates that the particular intervention was not present or had a marginal importance.</i>			

in which they were implemented, or because of the contextual factors present at the time. The question is, therefore, whether well-designed and implemented policies could have significantly improved the employment situation, given the combination of strong demographic pressures and faltering economic growth. This remains an open question, since the policies have not been adequately evaluated. The most that can be said at this level of generality is that the Kenyan policy experience calls for the explicit consideration of three aspects: policy focus, scale of the interventions, and adequate learning from evaluations.

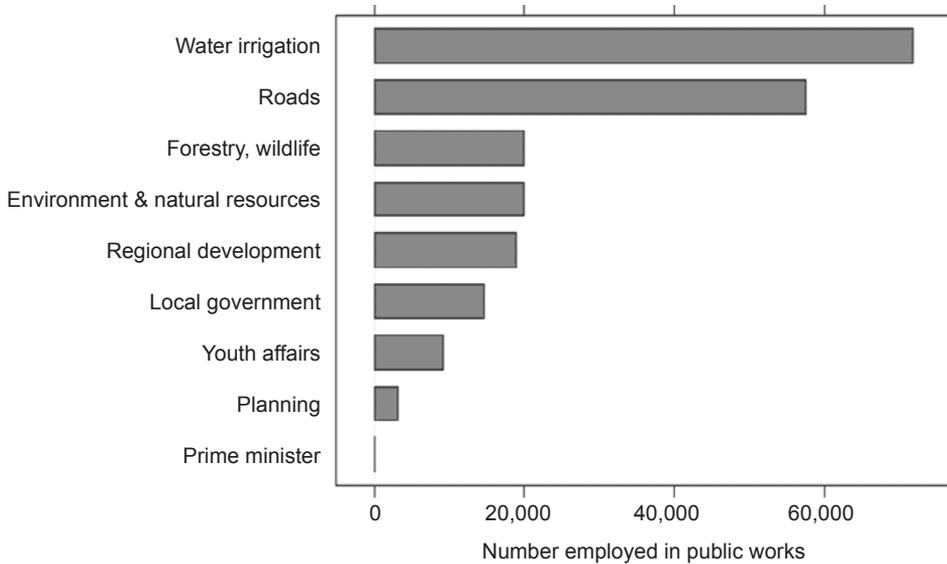
The last 10 years have seen the implementation of major youth employment policies with an emphasis on public works, entrepreneurial development and skills enhancement. There have also been attempts to formulate policies promoting employment of Kenyans in foreign countries.

A key Kenyan institution for youth skills development is the National Youth Service (NYS). It was established in 1964 to offer young people training in vocational, technical and professional skills. It also acts as a reserve force for the Kenya Armed Forces and undertakes rehabilitation and training of disadvantaged and orphaned young people (Republic of Kenya, 2008b). The NYS enrolls an estimated 3500 servicemen and women per year on artisanal, craftsmanship and other diploma courses which run for a period of one, two and three years, respectively. It also offers training to young people aged between 18 and 22 years. The minimum qualification criterion is a Kenya Certificate of Secondary Education (KCSE) with a mean grade above D+. In addition, trainees must be unmarried and without dependants. NYS recruitment is carried out in 285 district centres, and there are 16 training institutions spread throughout the country with a capacity of 10,000–15,000 trainees at any given time. (As a point of reference, the number of people entering the Kenyan labour force in a given year is currently about 600,000).¹³ The NYS is financed through the national budget, complemented by external funding from the governments of Japan, Germany, the Netherlands and the United Kingdom. Although in recent years there has been a small increase in its budget, funding for the NYS has generally been tiny, at less than 1 percent of the national budget.¹⁴

In 2009 the Kenyan government launched the nationwide KKV programme, aiming to employ between 200,000 and 300,000 young people annually in rural and urban areas on labour-intensive public works projects (Republic of Kenya, 2010) that are implemented by different government ministries. The KKV creates employment by implementing manual-based small projects in communities, with durations of three to six months. In rural areas they include building dams and irrigation, repairing boreholes and access roads, clearing bushes, sowing organic fertilizers and seeds and planting trees. In urban centres, they include building and operating water kiosks, developing and implementing waste management systems and repairing and maintaining access roads. The KKV uses low wage rates as a self-targeting criterion for young people, allowing for task-oriented and daily payments. Daily wages are based on national minimum wage guidelines issued by the Ministry of Labour, while the task rates are pegged at KShs250 per task for the KKV employees in cities and municipalities and KShs150 for those in all other areas.¹⁵

The KKV programme is implemented under the overall supervision and guidance of a national steering committee chaired by the Prime Minister and comprising the Ministers and Permanent Secretaries with KKV projects; programme coordination and monitoring are the responsibility of the Office of the Prime Minister (OPM). Most of the jobs created have been under the Ministry of Water and Irrigation, followed by the Ministry of Roads (Figure 7.15). Other jobs were contributed by the Ministry of Environment and Natural Resources and the Ministry of Forestry and Wildlife. The programme's budget, which is funded through the national budget, saw a significant increase from KShs3.4 billion (US\$43 million) in the 2008/2009 fiscal year to KShs6.6 billion (US\$84 million) in the 2009/2010 financial year (Republic of Kenya, 2010).

To increase the scale and consolidate the gains made under the KKV, in 2010 the Kenyan government launched the Kenya Youth Empowerment Project (KYEP), a US\$60 million, four-year project funded by the World Bank coordinated by the OPM and designed to enhance the

Figure 7.15: Number of Young People Employed in KKV Public Works by Ministry

Source: official data available at www.kkv.go.ke/.

KKV by providing internships and youth training and enhancing the capacities of the implementing agency, the Ministry of Youth Affairs and Sports (MOYAS). It focuses on promoting community participation in identifying projects, establishing clearer project selection criteria and optimizing the labour content of the KKV as well as improving target-setting and developing a monitoring and evaluation system. The renewed KKV gives priority to projects in road maintenance, small-scale water supply and sanitation, water harvesting, forestation and waste collection.

An internship and training component of the KKV aims to increase the employability of young people by providing skills through internships and training in the private sector. It targets 10,800 young people aged 15–29 years with a minimum of eight years of schooling for those who have been out of a school/work environment for at least one year. Internships are programmed for between four and six months, with the time split evenly between the workplace and with an identified training provider. The interns are placed in key Kenya Vision 2030 growth sectors such as energy, tourism, information and communication technology, manufacturing and micro and small enterprises. Under this arrangement, each intern receives a monthly stipend of KSh6000, while employers receive a monthly reimbursement of KSh3000 per intern. According to the programme, young people aged 15–17 years are only eligible to take internships in the informal sector.¹⁶ This component will link with existing interventions such as the Youth Enterprise Development Fund (YEDF) and institutions such as the Kenya National Federation of Jua Kali Associations (KNFJKA). The third component of the KYEP will provide analytical support to the government in key areas relevant to young people. It will also support capacity-building in youth-oriented institutions within government, provide financial studies in

critical-to-youth policy and labour market issues and promote institutional capacity-building in institutions such as the MOYAS.

Apprenticeships can play an important role for young people by smoothing the transition from school to the job market, helping them gain experience and skills and expanding their job opportunities. Despite government efforts to strengthen the practice of apprenticeship, coverage appears very limited in light of the national youth employment landscape. According to the KIHBS, there were only about 30,000 people in apprenticeships at the time of the survey (of which 95 percent were under 35 years). This means that only 0.3 percent of employed young people or 0.15 percent of all young people were doing an apprenticeship. Although some expansion has subsequently occurred, the need to scale up further is apparent.

The quick review of youth employment policies in Kenya indicates that recent policy interventions are, in general, in accordance with the accumulated experience of polices aimed at promoting youth employment across developing countries (see Zepeda et al., 2012). It also suggests that policies are in line with the international experience with public works programmes.¹⁷ None of these, however, waive the need for continuous evaluation of such policies and discussion among development stakeholders. Four important issues will perhaps need a more thorough discussion:

- the proper scale of policy intervention;
- a comprehensive review of Kenya's experience with youth employment promotion, aiming to inform a more integrated approach to tackle the challenge;
- an overall improvement of education, including a significant expansion of apprenticeships; and
- the fine-tuning of policies to address the most pressing employment needs of young people, some of which have been highlighted in this chapter.

CONCLUSION

Demographic trends have been one factor behind Kenya's youth employment challenge. The pressure exerted by young people on labour markets has begun to lessen, however, and this may increase the effectiveness of policies aimed at improving labour market opportunities for young people.

The profile of Kenyan youth unemployment as portrayed by the 2005/06 KIHBS suggests a need to focus especially on those aged 18 to 25 years; second, those aged 15 to 18 and 25 to 29 years; and third, those aged 30 to 34 years. While youth unemployment rates are certainly higher in urban areas, rural areas should not be overlooked, in part because the number of unemployed young people is larger in rural than urban areas and in part because a well-functioning rural youth employment programme may be expected also to alleviate urban unemployment by diminishing the pressure on young people to migrate from rural to urban areas. Nor does creating rural jobs in any sense go counter to economic progress and development. While rural-to-urban

migration is part of any normal development process, it may in a given country proceed too fast from an economic efficiency point of view, and this may be the case in Kenya. Tackling rural youth unemployment will not fundamentally change the long-term economic attractiveness of cities, but it can contribute to a more rational and humane rural-to-urban migration and development process.

It is worth insisting that youth employment promotion policies need to keep a strong female focus, in light of the very high female youth unemployment rates. Policy designers might consider, for example, including minimum participation quotas for females but should also address situations in which the cost of taking a job is higher for females than males (e.g. because of safety considerations, travelling distance and family care responsibilities) through measures that reduce that cost.

Youth unemployment is also clearly linked to poverty, so targeting poor people should be another aspect of employment promotion policies, not so much because of the size of the group but because their overall employment situation is the worst. Given that the lowest wage paid in rural and urban areas is that of employees in informal businesses, policies seeking to create jobs in public works or apprenticeships or by promoting household enterprises must use this wage as a reference point, while also trying to ensure that the jobs contribute meaningfully to family income. When targeting poor people, care must be exercised to control the understandable pressures that young people from high-income households may exert to gear employment promotion policies towards their constituency, as large numbers of them in certain age groups are unemployed.

Improving education leads to better employment outcomes, and the evidence suggests that employee jobs in public and private formal businesses may in practice be increasingly restricted to those with at least secondary education. This in turn suggests that unemployment policies should focus on young people with primary and secondary education, as they constitute the great bulk of youth unemployment, and their situation is much more acute than that of those with tertiary education; although unemployment rates of this latter group can be high, they do not persist for too long after entry into the labour market, and the number of people involved is small. Youth employment promotion policies should give highest priority to those with primary and secondary education; then those in their teens without formal education and, finally, those with tertiary education.

The age pattern of unemployment and employment outcomes and the structure of earnings indicate that employers prefer people with tertiary and, to a lesser extent, secondary education. Labour outcomes suggest that young people with secondary education have positive employment outcomes as they approach adulthood; this may be evidence of the payoff not only to education but also to experience, in which case employment promotion policies should support people to acquire the skills and capacities that markets appear to be demanding, by expanding programmes that foster work experience—for example, via wider apprenticeship programmes.

The evidence reviewed confirms that youth employment promotion policies should aim to increase both education and employment. It may be better in the long-term to get very young

people back to school to complete primary or secondary education than to provide employment that competes with their education. A mix of incentives towards employment, school attendance and apprenticeship schemes may be in order.

The promotion of formal employment is a complex topic. This study limits itself to pointing out that employment promotion policies should design incentives to increase female participation in formal jobs and to promote the hiring of young people in the public sector. Promoting successful informal employment should be an important component of employment policies. High youth unemployment is related to the scarcity of formal job openings and the incapacity of young people to create an attractive job for themselves in the informal market. Formal jobs will inevitably be restricted to a minority of all job seekers for some time into the future, so they cannot provide more than a partial answer to youth unemployment. Meanwhile it takes time for young people with some level of education to start an informal business or activity. Youth employment policies should emphasize the promotion of micro, small or household businesses for young people as well as for adults who may hire and/or mentor those young people.

Kenya has accumulated significant experience in tackling youth employment challenges. The government, for example, has recently launched another important youth employment initiative. Are present policies enough or does Kenya need to do more to tackle youth unemployment? The overall sense from this study is that it does, that analysis and evaluation need to be more fully incorporated into policy making and that a strong focus must be kept on certain subgroups of the youth population. This study suggests that Kenya's youth unemployment problems are not simply a reflection of the general unemployment challenge that most developing countries face on their path to development but, rather, a particularly severe problem brought on by the combination over several decades of only modest economic expansion with enormous population growth which created a very high ratio of new entrants to existing participants in the labour force. The initially very small formal sector has not increased quickly enough to absorb the majority of these entrants, nor has the informal sector been able to provide adequate incomes to the bulk of them.

Accelerating growth will be part of the answer to this challenge, but more will need to be done. As the Kenyan government lets its current policies run their course, evaluation efforts should be applied to better understand the role of education in labour market insertion, the type of specific gender policies that need to be implemented, the apprenticeship programmes that should be escalated, the promotion measures that should be implemented to support young people as they undertake informal activities, and the specific employment creation programmes that need to be put in place to attend the earning and living conditions of poor people in both rural and urban areas. Heavy emphasis should be placed on what factors determine the demand for labour in both formal and informal sectors, to take advantage of such policies as can accelerate the growth of that demand.

NOTES

- 1 Arguably, some of the workers included in our groups might be better placed in the other category – for example, working owners of registered businesses or in professional services, which are placed in the informal category, are typically classified as formal. However, instead of devoting our effort and readers’ attention to the definition of formal and informal work, we decided on definitions that give us the broad contours of employment and that could be immediately derived from official data.
- 2 Of course, not all of the young people leaving school join the labour force. Many become home-makers, and others dedicate themselves to miscellaneous tasks.
- 3 The cost of seeking a job in urban areas must be lower than the ‘cost’ of staying or migrating to rural areas where unemployment is low. This is an issue that is beyond the scope of this study, so we do not attempt to provide any evidence.
- 4 The difference between the proportion of females and males who do other miscellaneous chores as their main activity is not large, but there is still a slightly larger proportion of females than males aged between 15 and 25 years who do so.
- 5 The primary, secondary and tertiary education categories include people whose highest educational achievement corresponded to at least one year of the relevant category.
- 6 To better analyse this issue, we exclude young people with tertiary education from the discussion, since their numbers are small.
- 7 These patterns emerge in more detail in a parametric analysis of choice of activity in Kenya using the same 2005/06 KIHBS information (Zepeda et al., 2012). Having a secondary or tertiary education reduces the probability of working in an informal job and increases that of working in a formal job. The econometric exercise also confirms that the probability of having a formal job is greater for males than females, and higher in urban than rural areas.
- 8 According to the figures in the KIHBS, 77 percent of the working-age population lives in rural areas.
- 9 If apprentices do receive a wage, this is comparable to the wage for a young employee. Incidentally, note that even if the sample of the household survey severely underestimates the size of youth apprenticeships, it might be safe to say that any reasonable correction for underestimation might still result in numbers suggesting the need to expand apprenticeships.
- 10 The wage and income from labour figures reported here refer to workers that received some monetary remuneration or income from their labour and that worked for a least one hour during the reference week. The group of other informal includes self-employed and working owners, among others, but excludes people working in traditional agriculture or farming and people that worked in a family business not for pay.
- 11 Some of these differences can be attributed to variations in the mix of education and occupation within each of the four gender-area groups.
- 12 The category of ‘other informal’ in our data might include professionals, which will explain the importance of tertiary education and also the fact that their presence is only apparent among older youth age groups.

- 13 Based on the current estimate of population at around 42 million people, the estimated age structure and assuming that 70 percent of a given age cohort enter the labour force.
- 14 Until the late 1980s, the NYS had a compulsory pre-university programme. This programme targeted successful graduates of the Kenya Advanced Certificate of Education (KACE) for six-month pre-university training. The goal was to inculcate in students the right attitude towards work and instil a culture of tolerance and nationalism. This programme was discontinued in 1990, probably due to its limited impact and sustainability challenges. Since then, the NYS training has been voluntary, with a market-driven focus.
- 15 The wage for young people working as employees in informal business ranges between KShs2000 and KShs3000 per month in rural areas and between KShs3000 and KShs5000 in urban areas. Expressed in daily rates, considering 22 working days per month, wage rates come to KShs90–140 in rural areas and KShs140–230 in urban areas. Attention must be paid to ensure the adequacy of wages paid in employment creation programmes.
- 16 The wage is thus just above the mean rate for employees in informal businesses.
- 17 For recent reviews of public works programmes, see Devereux and Solomon (2006), Lal et al. (2010), McCord (2009), del Ninno et al. (2009) and Zepeda and Alarcon (2011).

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