**Policy Brief**

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Collaborating Organizations: National Council for Population and Development, Kenya Institute for Public Policy Research and Analysis and African Institute for Development Policy (AFIDEP).

# Harnessing Youth Potential for Economic Growth

A strong, dynamic and empowered youth is critical in catalyzing and driving the transformations envisioned in the Constitution of Kenya, and the *Kenya Vision 2030*. The youth aged 15-24 constitute an important segment of Kenya's population, accounting for 35.4 percent of the total population and 66.7 percent of the adult population in 2009.

This policy brief points out how Kenya can harness the youth potential in order to achieve the demographic dividend through highlighting the skills supply mismatch, unemployment and underemployment-, job creation and existing opportunities for the youth in Kenya. Deepening human capital base and quality education and targeting sectors with the highest growth potential will enable the country address the youth unemployment as it embarks on realizing the demographic dividend.

## Background

A window of opportunity for a country to take advantage of its working population is availed when the proportion of the youths is at least 30 percent of the adult population. This means that the population is dominated by those in the working age group while the dependants (those less than 15 years and those older than 64 years) are fewer. This is what is referred to as the demographic dividend, which is a temporary opportunity for faster economic growth that begins when fertility rates fall, leading to a larger proportion of working age adults and fewer young dependants. Integrated family planning, education and economic development policies can facilitate a demographic dividend. Therefore, by providing the working population with opportunities to contribute to economic development, a country can increase its wealth and improve the quality of life for its citizens.

Kenya experienced economic recovery as measured by the GDP growth rate since 2009. The GDP growth averaged 4.4 percent between 2009 and 2013. However, the economic growth rate that peaked at 5.8 percent in 2010, declined in 2011 as shown in Table 1. Over the 2009 to 2013 period the employment to population ratio increased from 0.28 to 0.32. Most of the growth in employment was in the informal sector.

**Table 1 Selected Social-Economic Indicators for Kenya 2009-2013**

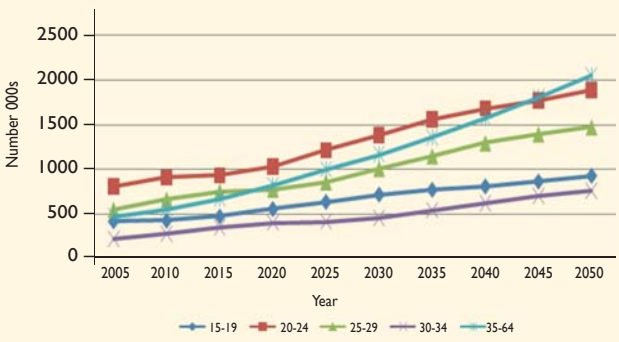
| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| Annual Growth of GDP | 2.7 | 5.8 | 4.4 | 4.6 | 4.7 |
| Total Employment (Millions) | 10.7 | 11.6 | 12.1 | 12.8 | 13.5 |
| Population (Millions) | 37.7 | 38.5 | 39.5 | 40.7 | 41.8 |
| Employment to Population Ratio | 0.28 | 0.30 | 0.31 | 0.31 | 0.32 |

Source: Economic Survey, 2014

Youth unemployment is a global challenge and presents a particularly difficult labour market situation especially in developing economies. In most developing countries, Kenya included, youth unemployment and under-employment (persons working less than 29 hours a week) are major obstacles to full utilization of human resources despite the observed strong economic growth trends and substantial expansion in the education and overall human resource development. The unemployed are defined to include (i) those who have taken action in seeking work and have not found work and (ii) those for whom no work is available. This definition is akin to the narrow definition of unemployment. The 'wide definition' of unemployment includes those who have taken action in seeking work, plus those who have not taken any action to seek work.

Figure 1 depicts that while the number of unemployed youth of all ages will double between 2010 and 2035, the doubling will come earlier for older youth groups. The number of unemployed persons aged between 30 and 34 years might double by 2030 while the number of unemployed youth aged 15 to 19 years will double by 2045, both relative to 2010. The age composition of unemployment will also change considerably with the most dramatic change being the increase in the share of adults in total unemployment. In order to reduce overall employment, measures to address both youth and adult unemployment should be put in place.

**Figure 1 : Projected Unemployment by Age (000s)**




Source: Eduardo, *et al.* (2013).

## Key Issues

### Skill and Supply mismatch

The supply side of the Kenyan skills market as of 2013 was composed of 52 Universities both private and public, 2 National Polytechnics, 2 Technical Universities, 22 public and 101 private primary teacher training colleges. The country also had 750 public and 706 private Technical, Vocational Education Training (TVET) institutions. Kenya also has a National Youth Service (NYS) institution with 16 training centres. In addition some of the skills provided to the market come from informal settings.

Enrolment in TIVET institutions has been increasing since 2009 however between 2012 and 2013 there has been a decline in the number of females joining TVET institutions. Total Enrolment rose by 15.9 percent from 127,691 in 2012 to 148,009 in 2013. Enrolment in youth polytechnics increased by 6.7 percent from 67,054 in 2012 to 71,569 in 2013 mainly attributable to the Government's subsidy on tuition fee for the youth Polytechnics to the labour market.

Kenya also experiences skewed skill mix particularly between professionals, technicians and associate professionals and craft workers. In the public sector, for example, the ratio of professionals to technicians and associate professionals to craft and related trades workers is 12:33:1. This means that for every 12 professionals, there are 33 technicians and associate professionals and only 1 craft and related trades worker. The ratio of technicians and associate professionals to craft and related trades workers to machine operators and assemblers in the sector is 33:1:2.

In the case of the private sector, the ratio of professionals to technicians and associate professionals to craft and related trades workers is 134:138:100. Similarly, the ratio of technicians and associate professionals to craft and related trades workers to machine operators and assemblers is 138:100:172. The skill ratios indicate bloated managerial and professional cadres compared to technical and support staff cadres. This implies that Kenya is yet to achieve the optimal skill mix of 1:15:45 being the ratio of managers to technicians to craft and related trades workers, which is required for industrial and global competitiveness.

## Unemployment and Under-employment

Open unemployment a condition in which people have no work to do among the youth aged 15-19 and 20-24 years was about 16 percent and 13 percent respectively compared to a total unemployment rate of 8.6 percent in 2009[1]. In 2005/06, the youth aged 15-19 and 20-24 years had unemployment rates of 25 percent and 24 percent respectively compared to the overall unemployment of 12.7 percent for the working age group[2]. In 2009, males aged 20-24 years had an unemployment rate of 13.6 percent relative to the females' rate of 12.6 percent (see Table 3).

Youth unemployment differs by county. Youth unemployment tends to be higher in the more urbanized counties such as Nairobi and Mombasa. More urbanized counties tend to have on average a lower percent of youth employed in the informal economy. Examples are; Nairobi (50%), Mombasa (49%) and Kiambu (62%). Less urbanized counties such as Turkana, West Pokot, Samburu and Mandera have more than 90% of their employed youth engaged in informal activities. The major problem facing young persons in Kenya, especially in rural areas, is not outright "unemployment" but rather low quality jobs. Good jobs (i.e. jobs that pay sustainable wages, offer career advancements, allowing workers to accumulate financial assets) are few and far between in cases where one was to leave employment in search of new opportunities – and even the few who are working generally take a long time to find employment after completing schooling or training.

**Table 3: Unemployment Rates (%) in Kenya by age group and sex, 2005/6 – 2009**

| Age brackets | 2005/06 | | | 2009 | | |
|---|---|---|---|---|---|---|
| | Total | Male | Female | Total | Male | Female |
| **Total (rural + urban)** | | | | | | |
| 15-19 | 19.0 | 19.2 | 18.8 | 15.8 | 16.5 | 15.1 |
| 20-24 | 32.6 | 31.1 | 33.8 | 13.1 | 13.6 | 12.6 |
| 25-29 | 20.9 | 20.2 | 21.5 | 8.5 | 8.7 | 8.3 |
| 30-34 | 8.3 | 8.1 | 8.5 | 6.4 | 6.5 | 6.3 |
| 35-39 | 6.6 | 6.6 | 6.6 | 5.4 | 5.7 | 5.1 |
| 40-44 | 5.0 | 5.6 | 4.5 | 5.3 | 5.7 | 4.9 |
| 45-49 | 3.5 | 3.5 | 3.5 | 4.8 | 5.1 | 4.4 |
| 50-54 | 2.1 | 2.6 | 1.7 | 5.4 | 5.8 | 4.8 |
| 55-59 | 1.4 | 2.0 | 0.9 | 5.4 | 5.7 | 5.0 |
| 60-64 | 0.6 | 1.1 | 0.2 | 6.4 | 6.4 | 6.3 |
| **Total** | **12.7** | **11.2** | **14.3** | **8.6** | **8.8** | **8.3** |
| **Urban** | | | | | | |
| 15-19 | 16.1 | 15.1 | 16.8 | 27.2 | 29.4 | 25.5 |
| 20-24 | 34.9 | 33.7 | 35.8 | 19.1 | 17.7 | 20.4 |
| 25-29 | 24.8 | 24.6 | 24.9 | 10.9 | 9.4 | 12.7 |
| 30-34 | 8.0 | 8.0 | 7.9 | 7.6 | 6.5 | 9.2 |
| **Rural** | | | | | | |
| 15-19 | 21.3 | 22.2 | 20.5 | 13.0 | 13.8 | 12.0 |
| 20-24 | 30.7 | 29.3 | 32.0 | 9.9 | 11.4 | 8.5 |
| 25-29 | 17.8 | 17.1 | 18.5 | 6.9 | 8.0 | 5.8 |
| 30-34 | 8.6 | 8.1 | 9.1 | 5.6 | 6.3 | 4.9 |

Sources: *KIBHS (2005/06) and 2009 Kenya Population and Housing Census.*

Table 3 also captures the gender dimension of unemployment. According to ILO (2005), female unemployment rates may often be underestimated for various reasons, including their disproportionate engagement in unpaid home production which means they are excluded from the labour force, and the greater likelihood of their being discouraged workers. For the Kenyan case, the gender gaps are narrow.

The educational dimension of unemployment in Kenya shows that, relative to the attainment of only primary education, the proportion of those unemployed generally decreases with the level of education. However, individuals with secondary education exhibit a higher chance of being openly unemployed which could be interpreted as a reflection of preference for wage employment among the more educated individuals in an environment characterized by restricted expansion of formal sector jobs (KIHBS, 2005-06).

Underutilization of human resources manifests itself in 'under-employment' of the 'working poor', defined as individuals working full-time in agriculture or informal sector and having low earnings (United Nations Economic Commission for Africa (UNECA), 2005). However attention to unemployment should move beyond hours and wages earned to work in

**Table 2: Enrolment at Public Technical Institutions Levels: 2009 to 2013**

| | Technical Universities | | | Institutes of Technology | | | National Polytechnics | | | Youth Polytechnics | | | Technical Training Institutes | | | Grand |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Year | Male | Female | Total | Male | Female | Total | Male | Female | Total | Male | Female | Total | Male | Female | Total | **Total** |
| 2009 | 6,160 | 3,308 | 9,468 | 5,920 | 4,813 | 10,733 | 4,225 | 2,774 | 6,999 | 13,222 | 18,122 | 31,344 | 12,514 | 9,923 | 22,437 | **80,981** |
| 2010 | 4,945 | 4,633 | 9,578 | 6,035 | 4,858 | 10,893 | 3,701 | 2,499 | 6,200 | 14,384 | 18,720 | 33,104 | 12,908 | 9,970 | 22,878 | **82,653** |
| 2011 | 5,918 | 6,306 | 12,224 | 10,179 | 8,607 | 18,786 | 5,122 | 3,081 | 8,203 | 15,648 | 19,338 | 34,986 | 16,719 | 13,255 | 29,974 | **104,173** |
| 2012 | 3,888 | 2,174 | 6,062 | 11,890 | 6,126 | 18,016 | 4,986 | 2,805 | 7,791 | 40,233 | 26,821 | 67,054 | 16,263 | 12,505 | 28,768 | **127,691** |
| 2013 | 7,862 | 4,113 | 11,975 | 13,020 | 8,582 | 21,602 | 5,304 | 3,216 | 8,520 | 42,942 | 28,627 | 71,569 | 18,936 | 15,407 | 34,343 | **148,009** |

Source: *Economic Survey, 2014.*

relation to existing capacity. Such a consideration is important in highlighting the efficiency of public and private spending on education and human capital formation. This is important for a country like Kenya where the informal sector has increasingly dominated employment; it is conceivable for example, that peers of graduate mid-level managers are operating informal sector enterprises.

Table 4 summarises the numbers and rates in total and by gender of under-employment as earlier defined as persons working less than 29 hours a week. According to the data, slightly over half a million workers were classified as under-employed by the 1998/99 labour force survey, rising to 2.7 million by the time of the 2005/6 household budget survey. By 2009 census, the absolute numbers of the under-employed had increased to over 3.3 million.

**Table 4: Underemployment by gender and average weekly hours worked, age 15-64**

| Hours of Work | 1998/99 | | | | 2005/06 | | | | 2009 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | M % | F % | Total | % | M % | F % | Total | % | M % | F % | Total | % |
| less than 6 | 63.4 | 36.6 | 21,420 | 4 | 52.3 | 47.7 | 258,407 | 9 | 45.9 | 54.1 | 170,440 | 5.1 |
| 6-9 | 52.1 | 47.9 | 51,076 | 10 | 44.5 | 55.5 | 256,306 | 10 | 48.7 | 51.3 | 278,180 | 8.3 |
| 10-13 | 56.2 | 43.8 | 70,771 | 14 | 43.9 | 56.1 | 336,758 | 12 | 47.5 | 52.5 | 344,670 | 10.2 |
| 14-17 | 67.7 | 32.3 | 60,943 | 12 | 38.5 | 61.5 | 284,014 | 10 | 45.2 | 54.8 | 379,300 | 11.3 |
| 18-21 | 65.5 | 34.5 | 115,983 | 23 | 43.3 | 56.7 | 589,588 | 22 | 42.6 | 57.4 | 874,640 | 26 |
| 22-25 | 69.2 | 30.8 | 139,194 | 28 | 43.2 | 56.8 | 721,243 | 27 | 42.9 | 57.1 | 658,680 | 19.6 |
| 26-28 | 76.7 | 23.3 | 46,631 | 9 | 50.9 | 49.1 | 265,932 | 10 | 44 | 56 | 622,130 | 19.7 |
| Total | 65.1 | 34.9 | 506,017 | 100 | 44.6 | 55.4 | 2,721,248 | 100 | 44.4 | 55.6 | 3,368,040 | 100 |

*Source: CBS (2003); Republic of Kenya (2008); Census 2009.*

## Job Creation Opportunities

### Main Sectors of employment

The 2009 census highlights sectors of the economy that the youth and other individuals are engaged in. A look at the five leading employer categories indicates that those persons aged (15-34) are engaged in informal activities. Small scale agriculture and pastoralism sectors are the main employers of at least a fifth of the youth population.

**Table 5: Main Employer by age group, 2009**

| | 15-34 | | | 35+ | | |
|---|---|---|---|---|---|---|
| | Male | Female | Total | Male | Female | Total |
| Self Employed - Informal | 26.7 | 37.8 | 32.1 | 26.1 | 35.2 | 30.4 |
| Self Small Scale Agriculture | 19.4 | 26.6 | 22.9 | 24.3 | 36.2 | 29.9 |
| Private Sector | 19.8 | 11.4 | 15.7 | 16.1 | 6.6 | 11.6 |
| Informal Sector ('Jua Kali') | 12.7 | 8.6 | 10.7 | 10.1 | 7.4 | 8.8 |
| Self Pastoralist | 5.5 | 2.6 | 4.1 | 5.0 | 1.8 | 3.5 |
| Other | 15.9 | 12.9 | 14.5 | 18.4 | 12.8 | 15.8 |
| Total % | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Total | 4,322,700 | 4,096,660 | 8,419,360 | 3,590,670 | 3,202,550 | 6,793,220 |

Data Source: *2009 Census.*

There are differences by gender. Relative to males, a larger proportion of female youth are to be found in self employment and in agriculture. Male youth are more likely to be engaged in the private sector (about 20%) relative to females (11%).

As summarised in Table 6, the manufacturing industry share in total wage employment did not change markedly over the 2009 to 2013 period, after declining by 1 percent those five years. The largest source of wage jobs remained the community, social and personal services sector at 42 percent of the total wage employment in 2013 followed by agriculture and forestry with a share of 15 percent.

**Table 6: Share of employment by sector to total employment**

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| Community, Social and personal services | 40.9 | 40.9 | 41 | 40.2 | 41.6 |
| Agriculture and Forestry | 17 | 16.4 | 16 | 16 | 15 |
| Manufacturing | 13.3 | 13 | 13 | 13 | 12 |
| Wholesale and Retail Trade, Restaurants and hotel | 10.8 | 11 | 12 | 12.4 | 12.6 |
| Transport and communication | 7.3 | 7.3 | 7.4 | 7.5 | 7.5 |
| Building and construction | 4.7 | 4.9 | 5.1 | 5.4 | 5.8 |
| Finance, Insurance, Real Estate and business related services | 4.9 | 4.8 | 4.8 | 4.8 | 4.8 |
| Electricity and water | 1 | 1 | 1 | 1 | 1 |
| Mining and Quarrying | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Total | 100 | 100 | 100 | 100 | 100 |

Source: *Government of Kenya, Economic Survey 2014 and Authors Computation.*

## Potential Sectors for Employment Creation

Recent analysis on implications of targeted 10 percent economic growth on sectoral employment creation and labour compensation using the Social Accounting Matrix (SAM 2003) indicates that investing in manufacturing results in highest increase in job creation (17%) followed by agriculture (14%) and services (12%). Most additional jobs are in informal sector and could benefit the unskilled most.

Further, Kenya's agriculture sector yields highest benefit increase in employee compensation followed by manufacturing and services. Targeting agriculture results into an 86 percent increase in labour compensation in skilled workers. This is mainly because most jobs were in the agriculture sector. However the situation might change following the rebasing of the economy.

## Initiatives to put in place to address challenges

Two notable interventions for the informal sector, are the Sessional Paper No. 2 of 1992 on Small Enterprise and *Jua Kali* Development in Kenya and the Sessional Paper No. 2 of 2005 on Development of Micro and Small Enterprises (MSEs) for Wealth and Employment Creation for Poverty Reduction put emphasis on the MSE sector. However, some gaps still remain. First, these policies fail to clearly demarcate the formal from the informal economy/sector. The names MSEs, *Jua Kali* and "Informal Sector" are used interchangeably, yet not all MSEs are actually informal. These have made most policy interventions blind to the different needs of the heterogeneous nature of informal sector establishments.

Secondly, with respect to taxation and statutory requirements, formal MSEs tend to be treated in a similar manner to the large firms. Ideal intervention could include, special considerations (as is applied in licensing) which would create more incentives for informal MSE firms to formalize their operations.

Even though the national and county governments have support measures for the MSE sector, there is inadequate planning for the informal sector activities, including failure to provide demarcated spaces for the small enterprises.

NCPD is a semi-autonomous government agency that formulates and promotes population policy and coordinates related activities for sustainable development in Kenya.

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## Policy Implications

### What should policy makers focus on?

Youth unemployment in Kenya is complex and the affected youth exhibit diverse characteristics. The categories range from: those who are skilled but lack gainful employment; those engaged in vulnerable jobs; those who have low levels of skills and education and those who are engaged in some form of activity, but the remunerations cannot afford them a decent living. These issues will need to be considered in designing unemployment interventions for the youth.

Policy interventions should also focus on entrepreneurship, financing and capability development while giving cognizance to the existing youth employment policies, employment implications of devolution of government activities to the counties; and sectors which have greatest potential for employment creation. The ongoing policy interventions on youth empowerment initiated by the government which include the National Youth Service programme, Youth Enterprise Development Fund, Youth empowerment programme, *Uwezo* Fund, Youth Access to Government procurement opportunities programme need to be enhanced to enable young persons be economically engaged.

There is also need to develop a data collection system that will provide up to date information on unemployment and quality of employment.

## Policy Recommendations

To achieve the demographic dividend the following are necessary:

### (i) Deepen human capital base

- To improve productivity, a large and broad base of skilled workforce is necessary. This can be achieved by ensuring good-quality education is broadly available with emphasis on a close matching of skills supply to the needs of enterprises and labour markets.
- To address the skills mismatch problem, a skills gap analysis should be conducted to identify skills gaps. It is also critical to ensure that curricula reflect skills needs of industries. This calls for modalities (for example attachments for students and instructors) to be worked out to expand links between institutions of learning and relevant industries. In addition, employers should contribute towards curriculum development in training institutions to ensure the matching of skills supply and demand.

### (ii) Targeting sectors with highest growth potential to create jobs

- The national and county governments should invest directly in sectors with the greatest potential to create jobs as economic growth alone will not produce a large enough number of good jobs. These sectors are manufacturing, agriculture and the service sectors.
- Six and a half million Kenyans are small scale farmers who earn very little. The government should focus on investment in small scale farming and thus make this sector a creator of good jobs In the medium term, most villages should have electricity for drying and processing farm produce; and tarmac roads that connect farmlands to major market centres.
- Given that agriculture has the largest potential for job creation, there is need for increased investment in irrigation and agro business. This will reduce seasonal vulnerability. Enhanced irrigation is also a pathway to transformation of agriculture to high value production systems.
- About 5.8 million young Kenyans are employed in the informal sector, and work under deplorable conditions. The government and private sector should target youth working in the informal sector, and nurture them to grow to legitimate small and medium enterprises; and offer financial literacy and business management training, and access to credit.
- Investment in jobs creation in ICT and advanced manufacturing is critical. Currently, there are only about one million Kenyans who have a good job in the modern industries and services. Starting from such a small base, these modern sectors could create 50,000 -100,000 jobs per year over the next several years. With continued investment in infrastructure, the sectors would become the backbone of the Kenyan workforce.

## Conclusion

Reaping the demographic dividend requires investments in job creation, education and skills development. As the number of workers grows more rapidly than the number of dependants, individuals and families will be able to make savings, which when translated into investment will boost economic growth.