Evidence Brief

June 2026

Political Economy Analysis of Youth Employment in Kenya

Evidence, insights, and pathways to unlock dignified and fulfilling work opportunities for Kenya's young people

Key Messages

1. **Kenya's youth unemployment crisis is as much a structural and policy issue as it is an implementation failure:** Existing policies are not fully aligned to solving the unemployment crisis, and their implementation is weak (inadequate investments, weak coordination and monitoring, and political interference).
2. **Growth must become deliberately labour-absorbing:** Kenya should actively invest in sectors with high youth employment potential, including agriculture, agri-processing, leather, blue economy, light manufacturing, construction, logistics, and digital services.
3. **Establish a national demand-led skills-to-work system:** Kenya needs a national demand-led skills-to-work system that uses real-time labour market intelligence to guide training investments, requires regional differentiation of TVET and VTC curricula, and makes work-based learning mandatory so that young people graduate with both relevant skills and practical workplace experience.
4. **The informal and gig economies should be made productive, protected, and dignified:** Since most youth work outside formal wage employment, policy should focus on simplified registration, incentives for gradual formalisation, social protection, market infrastructure, platform worker protections, and fair digital labour regulation.
5. **Youth employment programmes must reach excluded youth and measure outcomes:** Programmes should deliberately include young women, ASAL youth, persons with disabilities, refugees, school dropouts, and poor rural youth, while tracking who gets trained, who gets work, who remains employed, and what each sustained job costs.



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Introduction

Kenya faces a defining youth employment challenge. An estimated 800,000 to 1 million young people enter the labour market each year—a demographic scale that demands a commensurate policy response. Against this inflow, the formal economy created just 78,600 jobs in 2024. This is not a temporary cyclical shortfall; it reflects the structure of Kenya's current growth model, in which the sectors generating most output growth are not the sectors generating most jobs. Unless growth is deliberately reoriented towards labour-absorbing sectors, the country's much-discussed demographic dividend risks becoming a demographic crisis.

The consequences are already visible in the quality of work available to the young. Youth unemployment remains above 35%, but the deeper problem is the nature of the jobs that exist. More than four in five employed young people work in informal conditions—without a written contract, without social health insurance cover, without national social security contributions, and without income

AFIDEP African Institute for Development Policy

CAP Youth Empowerment Institute Linking Learning and Livelihood



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security if they fall sick, are injured, become pregnant, or are simply not paid. Between 2016 and 2021, youth labour-force participation rose by 17 percentage points—a compelling expression of youth ambition—yet over the same period the employment rate fell by 9 percentage points and wage employment declined by 13 percentage points. Young women, youth in arid and semi-arid land (ASAL) counties, young people with disabilities, and school dropouts face the sharpest exclusion, layering spatial and gender inequality on top of the structural mismatch.

Kenya has a proliferation of policies seeking to contribute to solving the youth unemployment challenge. Yet results are not following these policies. It is against this backdrop that this political economy analysis (PEA) set out to answer a single question: ***how can Kenya's current policies and regulatory frameworks be activated to enable dignified and fulfilling work for the country's youth?***

Research Design and Methods

The study employed a mixed-methods political economy analysis (PEA) design drawing on participatory methods that put youth at the centre of the study. PEA examines how political power, institutional incentives, formal and informal rules, resource flows, and actor interests shape policy choices, implementation, and development outcomes. For this study, the PEA framework enabled us to examine why youth unemployment persists as a development challenge, the institutions and stakeholders shaping (or failing to shape) the status quo, and to identify feasible policy actions needed to effectively address this challenge.

> **More than four in five youth who are employed do not have a written contract, access to social health insurance, access to social security contributions, or any income security if they become sick, injured, or pregnant, or if an employer simply stops paying them.**

A desk-based but indepth review of existing policies and other literature was conducted at the start to foreground the research. This was followed by large-scale secondary quantitative analysis of youth employment data and primary qualitative and quantitative fieldwork. Quantitative analysis drew on two comparable nationally representative datasets—the 2016 Kenya Integrated Household Budget Survey and the 2021 Kenya Continuous Household Survey—to trace the dynamics of youth labour-force participation, employment, and informality over time and across counties. Primary data comprised 45 key informant interviews with national- and county-level stakeholders, 10 focus group discussions with young people, and a national survey of 857 youth engaged in gig work across all 47 counties.

The seven stakeholder constituencies—youth, national government, county government, the private sector, civil society organisations, research and academic institutions, and youth-led organisations—were consulted and analysed separately, allowing the study to test whether actors with different institutional interests converged on a shared diagnosis.

The dedicated gig-economy survey allowed the study to examine the emerging digital and gig economy, which offers real prospects for Kenyan youth if harnessed through

Findings

The study results surface seven themes, which are discussed below alongside their implications for policy and practice.

Youth Preparedness: Education, Skills and the Industry Mismatch

Skills mismatch is not a single problem but three distinct ones, each requiring a tailored response. The first is curriculum alignment—ensuring training content reflects current industry needs. The second is workplace competency development—the practical skills and industry placements that turn a qualification into job-readiness. The third is labour-market access, where hiring networks often matter more than credentials, so that even well-trained youth without the right connections remain locked out. These dimensions are interconnected but distinct, and treating them as one undifferentiated "skills gap" produces blunt interventions that miss their target.

Implications for policy and practice: Each dimension needs its own instrument: curriculum reform tied to current industry demand; structured industry placements and apprenticeships; and measures that widen access beyond informal hiring networks. Addressing all three together would materially improve employment outcomes.

The Informal Economy: Non-Productive, Non-Fulfilling and Non-Dignifying Work

More than 80% of employed youth work in informal conditions. This is not a marginal statistic about quality at the edges of the economy—it describes the dominant reality of youth employment in Kenya. Of young people who are employed (not unemployed, not NEET, but working), more than four in five do so without a written contract, without access to social health insurance, without social security contributions, and without any income security if they become sick, injured, or pregnant, or if an employer simply stops paying them. The formal sector that provides these protections employs fewer than one in five young workers, and that ratio did not improve over the study period: wage employment fell from 54% to 41% of the youth labour force between 2016 and 2021, while own-account work and informal casual labour expanded to fill the gap.

Implications for policy and practice: Formalisation must be made easy and attractive rather than punitive. A tax-free threshold for new informal business registrations, simplified licensing, and bundled SHA/NSSF enrolment were identified as the single most impactful formalisation measures available—expanding both protection and, over time, the tax base.

Productivity: Productive Sectors are Not Producing Jobs

Kenya's growth has not translated into jobs for youth because the sectors driving growth are not the sectors driving employment. The study identifies sectors where targeted enabling conditions—infrastructure investment, updated sector strategies, and deliberate market linkages— could generate youth employment at scale.

Agriculture and agri-processing remain the single largest and most realistic engine for absorbing the youth bulge, yet are currently financially unviable for young people without structural support: for example, in the leather and livestock value chain, Kenya is Africa's third-largest livestock producer, but roughly 70% of hides go to waste because of processing and certification gaps. Hospitality and tourism offer accessible entry, with most vacancies requiring only TVET or secondary-level education. The blue economy is starkly underused—Kenya holds IMO guidance to operate 32 commercial vessels but runs only 2 under majority Kenyan ownership. Construction is labour-intensive and geographically distributed across every county's infrastructure deficit.

Comparisons across programmes also reveal what makes interventions work. Four design features consistently separate stronger programmes from weaker ones: an integrated package of training, capital and market linkage (each element alone is insufficient); post-programme tracking with accountability, as in the Kenya Youth Employment and Opportunities Project; performance-linked conditionality, drawn from the Catholic Relief Services co-financing model and the Imenti North Uwezo Fund; and beneficiary co-investment, which improves ownership and repayment.

Implications for policy and practice: Reorient public investment and sector strategies towards documented job-rich value chains and embed the four proven design features systematically in government programmes at scale.

Undermining the Potential of Industrialisation and Trade in Job Creation

Industrial policy has not pulled its weight in job creation. Manufacturing contributes less than 10% of GDP—far short of the Vision 2030 target of 20% and below regional comparators—and accounts for just 9% of total employment. Young workers remain heavily concentrated in agriculture (48%) and trade (16%). Yet the Kenya Economic Survey 2025 shows manufacturing generating the largest share of new formal private-sector jobs (24%), a sign of latent potential the sector has yet to fully realise. That gap between potential and performance has deep roots. Kenya's last Sessional Paper on Industrialisation dates from 2012, leaving the country without a current industrial strategy. The blue economy illustrates the political-economy dynamics at work: the binding constraint on operating more Kenyan-owned vessels is not a shortage of resources but import cartels, the absence of a contemporary industrial policy, and weak skills infrastructure in the coastal counties. The State Department for Industry has already identified agro-processing, textiles and apparel, building materials, pharmaceuticals, and automotive manufacturing as priority sectors for inclusive growth, and this study's findings align with those priorities. But priorities alone do not move private investment—without an updated, firmly anchored strategy to back them, they remain statements of intent rather than drivers of change.

Implications for policy and practice: An updated national industrial strategy—designating agri-processing, leather processing, textiles, and green-economy manufacturing as Fifth Medium Term Plan priority sectors—would give investors policy certainty and create a direct channel for youth employment at scale. Mandatory youth-apprenticeship quotas linked to NITA certification in publicly funded infrastructure contracts would create pathways without new public spending.

The Digital and Gig Economy: Opportunity, Challenge, and a Regulatory Vacuum

The gig economy is now a genuine livelihood pathway for Kenyan youth, but it operates in a regulatory vacuum. The survey of 857 workers across all 47 counties found that 95% are connected to gig work in some form—as active, former, or aspiring workers—and 50.3% rely on it as their full-time primary income. The enabling

> **Formal wage employment is shrinking: between 2016 and 2021, its share of the youth labour force fell from 54% to 41%, while informal and own-account work became the dominant source of employment**

infrastructure already exists: 101 Ajira Digital Centres, more than 40 TVET digital clubs, and the National Optic Fibre Backbone Infrastructure. Yet many gig workers lack social protection, face country-of-origin pay discrimination in platform terms, and are exposed to an AI transition that is already eliminating first-generation gig tasks. The opportunity is real, but so is the risk of entrenching a new, large, and unprotected category of precarious work.

Implications for policy and practice:
The priority is regulation: extend social health insurance and social secutiry scheme access to gig workers, address platform pay discrimination, bring gig platforms within labour law, and build skills-anticipation systems for the AI transition.

Gender Inequality, Marginalisation and Social Exclusion

The burden of youth unemployment and informality is not evenly shared. Young women are twice as likely as young men to be NEET (i.e., not in employment, education, or training), while school dropouts are frequently excluded from existing programme architectures altogether. Spatial inequality is severe: after controlling for individual characteristics, ASAL counties record employment probabilities 30 to 44 percentage points below the national mean—Mandera at 12% wage employment, Garissa 13%, Wajir 14%, and Turkana 17%—despite high willingness to work. These groups, together with young people with disabilities and rural youth, have high aspirations but the least access to opportunity, representing the largest untapped reservoir of the demographic dividend.

Implications for policy and practice:
Closing spatial and gender gaps is both an equity priority and the single greatest opportunity for inclusive growth. Targeted investment in young women, ASAL and rural youth, youth with disabilities, and school dropouts—and deliberate inclusion of these groups in programme design—would unlock Kenya's full demographic potential.

Priority Policy Recommendations

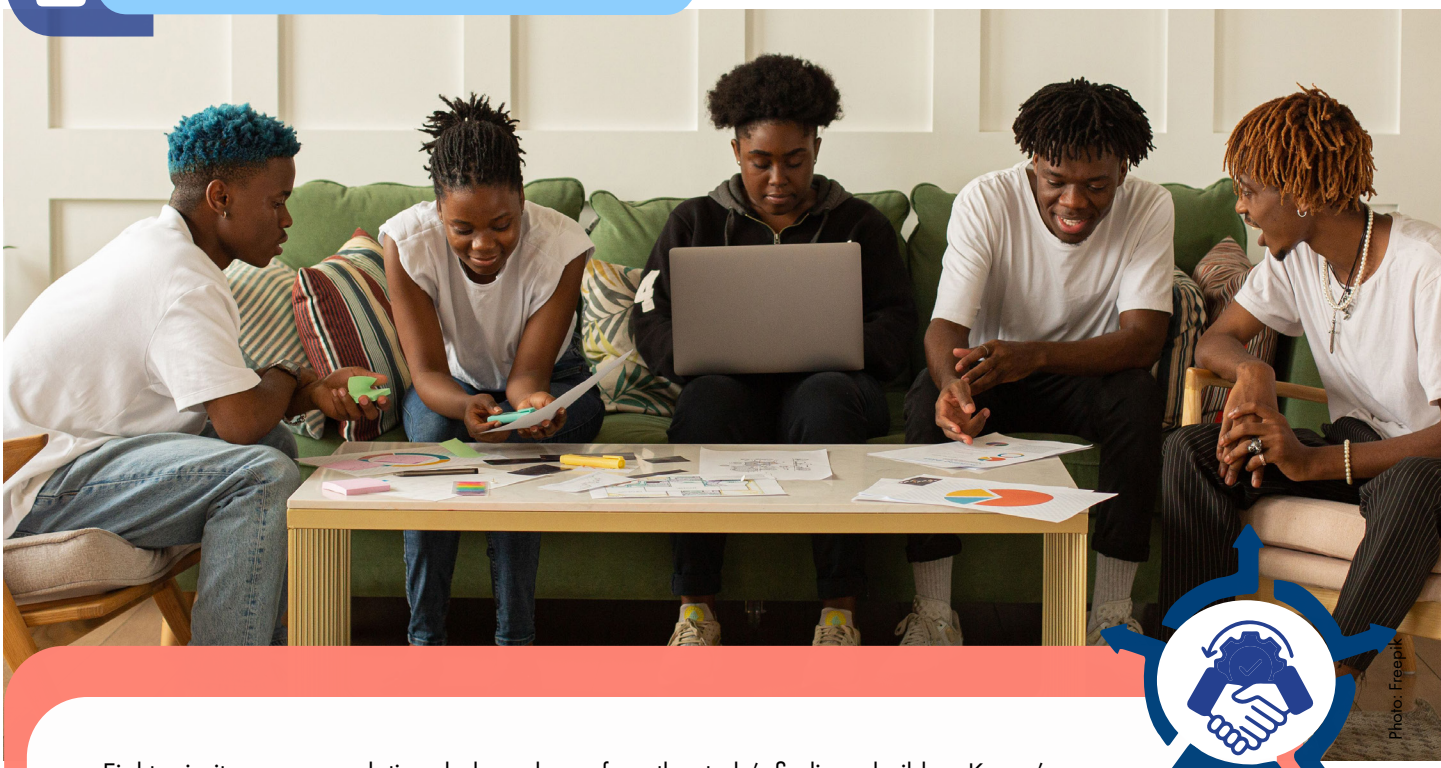


Photo: Freepik

Eight priority recommendations below, drawn from the study's findings, build on Kenya's existing architecture rather than replacing it—the aim is to bring what already exists fully to life. Each is paired below with the actors responsible for delivery.

1 Establish a Presidentially chaired Youth Employment Coordination Platform

Create a statutory, cross-ministerial mechanism—convening employment, education, industrialisation, ICT, trade, and youth development—with sector-specific targets and a joint mandate with the Council of Governors to ensure national–county alignment. This directly addresses the coordination failures across the many government and private sector agencies involved in promoting, creating, and regulating youth employment.

Lead: The Presidency/Executive Office, with the Council of Governors. Central Ministries: Ministries of Labour, Education, Investments, Industry and Trade, ICT and Digital Economy, MSMEs, and Youth Affairs.

2 Establish a demand-led national skills-to-work system

Kenya should establish a national demand-led skills-to-work system that uses real-time labour market intelligence to guide training investments, requires regional differentiation of TVET and VTC curricula, and makes work-based learning mandatory so that young people graduate with both relevant skills and practical workplace experience. This should be backed by tracer studies, employer participation, and accountability mechanisms that tie institutional funding and accreditation to graduate employment outcomes.

Lead: State Department for MSMEs working hand-in-hand with the Council of Governors and county governments.

3 Shift from a focus on "formalisation" to making informal work productive and protected

Shift policy from trying to "formalise" the informal economy through taxation and compliance, to making informal work productive, protected, and progressively formal through incentives, infrastructure, and accountability. The study results show that informality is not a temporary or marginal problem; it is the main labour market for youth. The core issue is that informal work is low-productivity, insecure,

poorly protected, and often politically captured through weak programme design and beneficiary selection. Therefore, Kenya should stop treating informal workers primarily as non-compliant taxpayers and instead build a progressive pathway from survivalist work to dignified livelihoods. This requires incentivised registration through a tax-free threshold, simplified licensing, social protection access, productive market infrastructure, accountable enterprise financing, and enforceable protections for gig and informal workers.

Lead: State Department for MSMEs working hand-in-hand with the Council of Governors and county governments; National Treasury; Kenya Revenue Authority; Ministry of Labour and Social Protection.

4 Rebuild Kenya's industrial and trade policies around labour absorption

Kenya should reform its industrial policy to adopt a labour-absorbing industrial policy that prioritises sectors with high youth employment multipliers —including agri-processing, leather, textiles, construction materials, blue economy, and light manufacturing—and makes public support conditional on job creation, local sourcing, technology transfer, and youth skills progression. Industrial incentives such as tax breaks, land, infrastructure, EPZ/SEZ licences, and trade facilitation should be granted only where firms meet clear employment, apprenticeship, local value-addition, and Kenyanisation targets.

Similary the country needs to reform its trade policy to move from agreement-led trade policy to production-led trade policy. This requires reviewing the National Trade Policy to prioritise youth employment, informal and cross-border trade, e-commerce, and labour-intensive export value chains. AfCFTA, the EU EPA, UAE CEPA, and other trade frameworks should be operationalised through youth export readiness support, simplified trader documentation, standards compliance, warehousing, logistics, value addition, and protection of local producers from import-driven job displacement. Trade should become a pathway for young Kenyans to produce, process, move, market, and export, not merely a framework for importing and consuming.

Lead: Ministry of Investments, Trade and Industry; National Treasury; Ministry of Labour and Social Protection; Council Governors and County Governors.

5 Prioritise investments and reforms in productive sectors to create jobs for youth

For productive sectors to create jobs, Kenya should shift from identifying "high-potential sectors" to building sector-specific youth employment compacts that make agriculture, leather, blue economy, manufacturing, and agri-processing commercially viable for youth through coordinated investment, market access, skills transfer, infrastructure, and accountability for jobs created. The results show that productive sectors are not producing jobs because the underlying economics and institutions are broken: agriculture is unattractive because youth lack land, finance, extension support and guaranteed markets; leather loses value because hides and skins are wasted instead of processed; the blue economy is underutilised despite vessel, logistics and cold-chain potential; and manufacturing remains weak because industrial policy has not forced local value addition or technology transfer.

Lead: Ministry of Investments, Trade and Industry; Ministry of Agriculture and Livestock Development; Minsitry of Cooperatives and MSMEs Development; Ministry of Mining, Blue Economy and Maritime Affairs

6 Enact laws to cover gig platform workers, including health insurance and social security

To harness the potential of the gig economy in job creation for youth, Kenya should enact a digital labour framework that legally recognises platform workers, requires platforms to meet minimum standards on pay transparency, dispute resolution, social protection, and account termination, and links digital work programmes such as Ajira to affordable data, device access, AI-resilient skills, and verified market opportunities. Gig work should not be promoted simply as "online jobs"; it should be regulated as a pathway to dignified livelihoods, skills progression, and long-term digital enterprise.

Lead: Parliament and the Ministry of Labour. Supporting: Ministry of ICT & Digital Economy, KRA, SHA, NSSF, and platform operators.

7 Bridge inequalities in young people's access to dignifying and fulfulling jobs

To address inequalities in access to jobs, Kenya should adopt an equity-based youth employment delivery framework that moves beyond generic youth targeting to deliberate inclusion of young women, ASAL youth, persons with disabilities, refugees, school dropouts, and poor rural youth. This requires equity-weighted targeting, ward-level outreach, funded wrap-around support, disability accommodation, transparent beneficiary selection, and mandatory disaggregated reporting on employment outcomes. The objective should be to ensure that youth employment programmes do not simply reach the easiest-to-reach youth, but actively dismantle the structural barriers that exclude those furthest from dignified work.

Lead: Ministry of Labour and Social Protection; Ministry of Youth Affairs

8 Mandate wrap-around support and anchor a 5% monitoring-and-evaluation allocation

Monitoring and evaluation (M&E) currently receives less than 1% of programme investment nationally. A minimum 5% allocation across all youth programmes—with mandatory graduate tracer studies and publicly accessible programme dashboards—would enable government to identify what works, improve continuously, and demonstrate results to citizens and partners. This should be paired with the integrated "training + capital + market linkage" package and performance-linked provider contracts shown to drive better outcomes.

Lead: The National Treasury (budget rule) and implementing ministries/agencies. Supporting: KIPPRA and Central Planning & Project Monitoring Units.



Photo: Freepik

Mechanisms that enable implementation

Performance-linked engagement	Tie co-financing to specific milestones and withdraw support from beneficiaries who do not meet them.
Legal and planning anchoring	Embed youth-employment targets in County Integrated Development Plans and ministerial performance contracts. County youth catalytic funds—already enacted in 24 or more counties—have survived political transitions, making statutory anchoring the most durable form of commitment available.
Peer learning within government:	Facilitate, rather than direct, organic institutional learning to replicate what works across counties at low cost.
Youth-led civic accountability	Formally recognise and enable informal youth accountability channels such as Bunge la Wananchi to amplify their demonstrated advocacy and mpact.
Evidence-to-policy pathways	Use KIPPRA technical working groups during MTP cycles, Central Planning and Project Monitoring Unit directors at the Ministry of Labour, and cabinet briefs through responsible ministers as the navigable routes from evidence to decision.

Current policy windows for action

- The National Youths Opportunities Towards Advancement **(NYOTA)**—the largest single youth-employment investment in Kenya's history—runs through 2028 and can be reshaped now for transformative impact.
- The **Fifth Medium Term Plan cycle** offers a natural point for embedding statutory youth-employment targets.
- The **2025 Kenya Industrialisation Conference** has signalled clear political will for an updated industrial strategy centring youth and the green economy.

This Evidence Brief has been prepared by the African Institute for Development Policy (AFIDEP) and the CAP Youth Empowerment Institute

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