Political Economy Analysis of Youth Employment in Kenya

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



01

WHY THE STUDY?

Kenya faces a critical youth employment crisis, with 800,000 to 1 million youth entering the labour market annually against just 78,600 formal jobs created in 2024. Over 80% of employed youth are trapped in precarious informal work, while existing policies have not delivered the desired results because of weak implementation, poor coordination, inadequate investment, and political interference. This study was undertaken to identify how Kenya's policy frameworks can be activated to unlock dignified and fulfilling work for young people.

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WHAT WE DID

The study adopted a mixed-methods political economy analysis (PEA) design drawing on participatory methods that put youth at the centre:

- **Desk Review:** In-depth review of existing policies and literature.
- **Secondary Quantitative Analysis:** Analysis of two nationally representative datasets (2016 KIHBS and 2021 KCHS) to trace labour-force dynamics over time.
- **Political Economy Analysis (PEA) Framework:** Examined how political power, institutional incentives, formal and informal rules, resource flows, and actor interests shape policy choices and development outcomes.
- **Primary Fieldwork:**
  - ☑ 45 Key Informant Interviews (KIIs) with national and county stakeholders.
  - ☑ 10 Focus Group Discussions (FGDs) with young people.
  - ☑ National Survey of 1001 youth engaged in gig work across all 47 counties.
- **7 Stakeholder Groups Consulted:** Youth, national government, county government, private sector, civil society, research/academia, and youth-led organisations.
- **Disaggregated Stakeholder Analysis:** Consulted and analysed seven distinct stakeholder constituencies separately to test if actors with different institutional interests converged on a shared diagnosis.
- **Dedicated Digital Economy Tracking:** Analysed gig-economy data to evaluate emerging digital and platform work dynamics.

03 WHAT WE FOUND

- **Informality and Insecurity:** Over 80% of employed youth work in informal conditions without written contracts, social health insurance, NSSF contributions, or income security. Formal wage employment fell from 54% to 41% between 2016 and 2021.
- **Skills Mismatch Multi-dimensional Problem:** The "skills gap" is actually three distinct problems—curriculum alignment, workplace competency development, and labour-market access (where connections often outweigh credentials).
- **Productive Sectors Failing to Absorb Jobs:** Economic growth is not translating into youth jobs. High-potential sectors—including agriculture, leather, manufacturing and the blue economy—remain constrained by structural and institutional barriers. (e.g., in leather, 70% of hides are wasted; the blue economy operates only 2 commercial vessels out of 32 permitted).
- **Policy and Industrial Vacuum:** Kenya lacks an updated industrial strategy (the last Sessional Paper dates to 2012), while manufacturing contributes under 10% to GDP despite showing the highest new job growth potential.
- **Unregulated Digital Economy:** 50.3% of surveyed gig workers rely on platform work as their primary income, but face pay discrimination, lack social protection, and face AI-driven task displacement.
- **Persistent Inequalities in Youth Employment:** Young women, youth in ASAL counties, persons with disabilities, school dropouts and rural youth continue to face the greatest barriers to dignified employment and are often excluded from existing programmes.

04 A CALL TO ACTION

1. **Establish a Presidentially Chaired Youth Employment Coordination Platform:** Create a statutory, cross-ministerial mechanism to coordinate youth employment efforts across national and county governments.
2. **Establish a Demand-Led National Skills-to-Work System:** Align education and training with labour market needs through work-based learning, labour market intelligence, and differentiated TVET curricula.
3. **Make Informal Work Productive and Protected:** Shift from punitive formalisation towards incentives, simplified registration, social protection, and productive support for informal workers.
4. **Rebuild Industrial and Trade Policies Around Labour Absorption:** Reform industrial and trade policies so incentives are tied to job creation, local sourcing, apprenticeships, and youth employment.
5. **Prioritise Investments in Productive Sectors:** Invest strategically in agriculture, leather, blue economy, manufacturing, agri-processing and other sectors with high youth employment potential.
6. **Protect Gig Platform Workers:** Enact a digital labour framework that guarantees social protection, fair pay, transparency and AI-resilient skills for platform workers.
7. **Bridge Inequalities in Access to Dignified Jobs:** Target young women, ASAL youth, persons with disabilities, refugees, school dropouts and rural youth through equity-based programming.
8. **Allocate 5% of Programme Budgets to Monitoring and Evaluation:** Mandate tracer studies, programme dashboards and evidence-based learning through a minimum 5% M&E allocation.

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