

## Improving Institutional Effectiveness to Provide Decent Job Opportunities in Kenya

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### What is at Stake? The Employment Policy Outlook in Kenya To-date

**T**his research, conducted under the OSSREA's *Employment Policies and Unemployment in Eastern and Southern Africa Research Project*, established the suitable effectiveness criteria, and evaluated the effectiveness, of Youth Enterprise Development Fund (hereinafter referred to as "the Fund") as a sustainable strategy for youth employment creation in Kenya.

Since independence, the creation of productive and sustainable employment opportunities has remained a central policy priority of the Kenyan government. Between 1963 and 2011, more than 17 policy measures were implemented at one point or another. 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 adjustment and Kenyanization policies were the predominant instrument from 1963 to 1979.

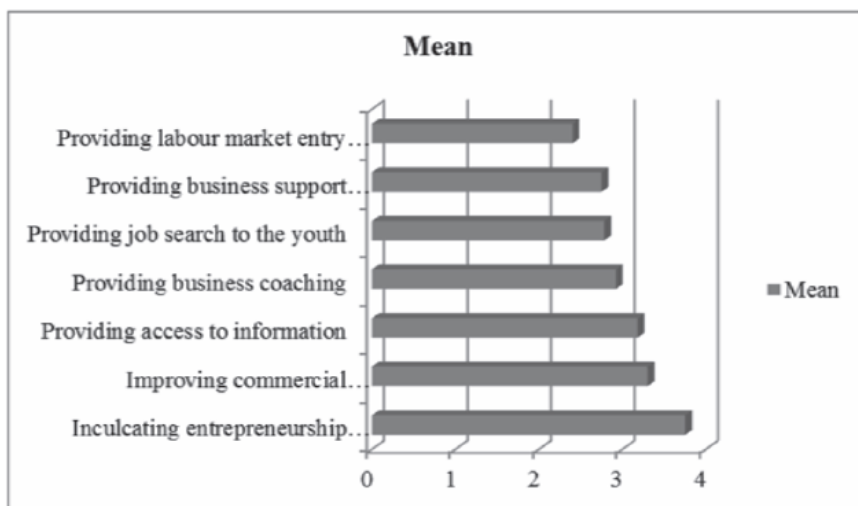
In 2003, the government formulated a five-year development strategy (Economic Recovery Strategy for Wealth and Employment Creation, 2003–2007). Within this period, a Ministry for Youth Affairs was created and Kenya National Youth Policy (KNYP) (2007), was formulated (Republic of Kenya 2011), which saw the creation of the Fund.

Although there has not been a lack of policy initiatives regarding the employment challenge in Kenya, as we can observe, it can be argued that policies have been inadequate and have failed to respond to the changing realities of employment in Kenya generally and youth unemployment in particular, given the continuous and difficult employment situation in Kenya. That said, it is difficult to assess whether these policies failed because of their focus and/or the manner 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 would or would not result in an improved employment situation, given the declining labour productivity and faltering economic growth.

*There has not been a lack of policy initiatives regarding the employment challenge in Kenya; however, policies have been inadequate and have failed to respond to the changing realities of employment in Kenya in general and of youth unemployment in particular.*

There may not be a clear answer to this question since policies have not been adequately evaluated; hence the reason to undertake a closer scrutiny of the Fund which has the following population: Youth Enterprise Development Fund (50), Ministry of Planning National Development and Vision 2030 (20), Ministry of Finance (20), Co-operative Bank (50), Family Bank (50), Youth Enterprises (50). The YEDF has the following facility (Graph 1).

- weak productivity growth;



- institutional weaknesses;
- rigidities of the economy's labour market;
- lack of employability;
- limited employment creation or absorptive capacity of the economy;
- weak entrepreneurship culture and unequal opportunities; and
- the low status given to the youth.

**Graph 1. YEDF Facilities**

The most that can be said at this level of generality is that the Kenyan policy experience calls for explicit consideration of three aspects: policy focus; scale of the interventions; and adequate learning from evaluations.

Currently, the youth — persons aged between 18 and 35 years — in Kenya account for close to 70% of the entire population (Republic of Kenya 2009a). Whether educated or uneducated, the problem of unemployment affects them in equal measure and the rate of economic growth or expansion of the employment creation opportunities has not kept pace with their demand for productive and gainful employment. Despite the various interventions over the years, youth unemployment still remains alarmingly high! In 2005/2006, for example, the youth unemployment stood at 24% and this rose slightly to 27% in 2010/2011 (Republic of Kenya, 2011), showing that the productive sectors have not kept pace with rising number of the youth. Existing estimates indicate that in Sub-Saharan Africa, urban unemployment affects 15 to 20% of the work force (ILO 1999). Factors that account for this high level of unemployment include the following:

- pressure from the high population growth;
- lack of appropriate skills;
- unclear and uncoordinated (youth) employment policies and programmes;
- resource constraints;
- low levels of economic growth;
- high cost of labour;
- low labour cost competitiveness;

### Institutional Responses

Effectiveness is the extent to which the outcomes of an activity achieve the stated objectives or a measure of the match between stated goals and achievements (Drucker 2006). The multiple constituency model, which is a modification of the goal model was applied as the theoretical underpinning in the research, which employed a combination of both qualitative and quantitative research. Moreover, it is important to have clear desired outcomes that are demonstrated to align with the overall organisational business intent. Without defensible evidence of a program's effectiveness, resources are mostly allocated to a strategy based merely on preferences.

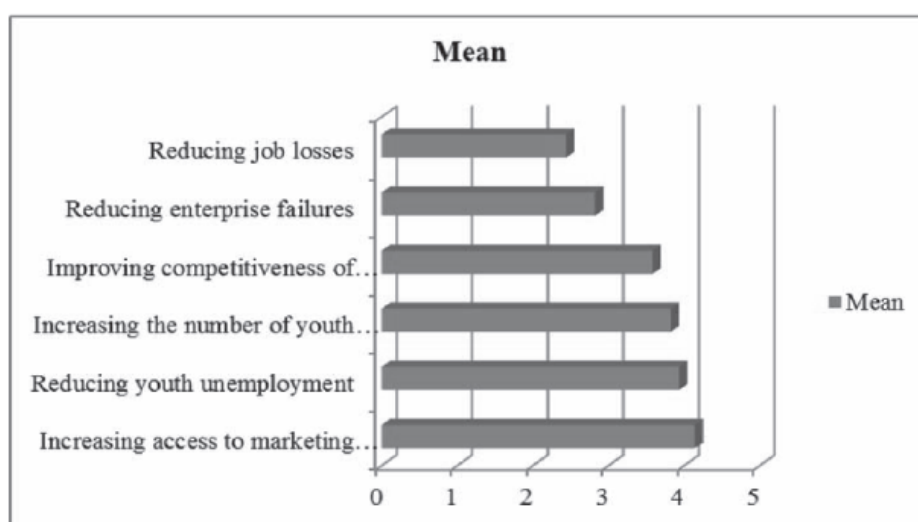
Against the background of the mandate of the Fund, effectiveness is conceptualised to mean the provision of credit to the youth; imparting of appropriate entrepreneurial skills to the youths; improvement of physical commercial infrastructure; provision of access to support services such as training and marketing; business development services such as idea conceptualization and implementation; business coaching, business advisory, and business counselling; provision of information on markets and job search processes; and supports for entry into the labour market.

Since its inception, the Fund has had various achievements which include: advancing loans amounting to over Kshs 6 billion to about 160,000 youths, out of which 5 billion has been advanced to about 150,000 youth through financial intermediaries. The Fund has also trained over 200,000 youths and facilitated over 6,000 to secure employment abroad. However, these are not impressive figures given the over 13 million youths in Kenya and a 70% current unemployment rate out of the total unemployment in Kenya.

## Results from the Research

The results indicate that youth employment in Kenya is determined by economic growth, labour market policies, wage level, employment protection, co-ordination among stakeholders, labour productivity, and union membership. In terms of mean ranking, economic growth is found to be the most prominent determinant of employment followed by labour market policies, wage levels, employment protection, co-ordination among stakeholders, labour productivity and union membership.

On average, most persons felt that the Fund could be more effective were it to concentrate on inculcating entrepreneurship skills among the youth, followed by providing commercial infrastructure, access to information, business coaching, job search, business support (and credit) and labour market entry support in that order (Graph 2).



**Graph. 2.** Responses on What the Fund Had Better Focus on

To improve effectiveness of Fund's programmes, the respondents felt that the Fund should give utmost focus to increasing access to markets by the youth enterprises, reducing youth unemployment, increasing the number of youth taking up entrepreneurial activities, improving the competitiveness of youth enterprises, reducing enterprise failures and reducing job losses.

### Youth Employment Policy Gaps and Proposed Appropriate Interventions

The contents and implementation record of youth-targeted policies indicate that much more needs to be done. This should be in terms of broader and in-depth conceptualization of the youth problem to

identify the driving forces, felt needs, values, education, skills formation, and training and work aspirations. The encompassing conceptualization should include issues such as ***governance, representation, inclusiveness, and participation of the youth in the country's institutions, decision making and development processes. Systematic planning and programming of specific projects*** to address youth problems and concerns need to be fast-tracked with clear strategies for implementation, and with realizable and measurable targets.

***Youth employment interventions should increasingly target the enhancement and promotion of the youth entrepreneurial potential.*** This can be achieved within the framework of the Fund integrated with schemes to promote linkages between youth enterprises with medium and large firms, mentoring programmes, entrepreneurial exchange initiatives, and exhibitions to promote markets and market information.

Equally important is the need to change the attitude and perception of the society and the youth about the informal sector. The negative attitude and perception about the sector discourages many youth from venturing into it, as they do not want to be viewed as failures in life.

To enhance technical and vocational

training for the youth, the following strategies should be prioritized: ***developing a labour-market-driven curriculum for use in technical and vocational training institutes; promoting the exchange of information, knowledge and human resources between the public and the private institutions as well as increasing bursary provision for needy students in youth polytechnics; maintaining and improving access to technical and vocational skills through the expansion of youth polytechnic-subsidized tuition and re-introduction of Jua Kali<sup>1</sup> voucher training program; provision and improvement of existing technical and vocational training facilities for the youth and mainstreaming youth with special needs in youth vocational training; formulating and reviewing of the education and training policy as well as***



*creating linkages between training institutions and the private sector through research, internship opportunities and finance; and encouraging the private sector to get involved in technical education and training.* Care should be taken not to make internship and industrial attachments avenues of cheap labour.

*To address the problem of skills mismatch with the labour market, the business community needs to be closely engaged with educational and training institutions.* Some aspects of the relationship can include: industrialists sitting in as members of the boards of educational and training institutions so as to provide input into the curricula; school-industry link programs that aid students in appreciating the relevance of learned theories in the world of work; teacher placements in businesses/industries during school holidays to facilitate sensitization of teachers on the skills their students need to acquire; setting up career advisory services and making them accessible to all job-seekers.

*Overall, the Government employment interventions need to target enhancing the acquisition and promotion of efficient use of labour market information, reliance on market forces to mobilize resources for sustained growth, provision of public infrastructure, industrialization, enhancement of private sector investment and participation in the economy, promotion of industrial harmony and productivity, and liberalization of the labour market.* These are to gravitate around micro, small and medium enterprises where the youth are engaged. Through proper budgetary allocations and government commitments, the Fund shall remain sustainable if it pursues initiatives that would promote the supply side of the market, reduce youth unemployment, increase the number of the youth taking up entrepreneurship activities, improve competitiveness of youth enterprises, reduce failure rates of youth enterprises and reduce job losses.

### **Way Forward through Targeted Interventions**

- Promote the establishment of business incubation centres as an active labour market policy to provide coaching, mentoring, improve entrepreneurial success and provide networking platforms.
- Design and implement credit guarantee schemes to realize financial and economical additionality.

- Promote regional Savings and Credit Co-operative Societies (SACCOs): improve competitiveness of youth enterprises by mergers in SACCOs so as to exploit economies of scale, encourage thrift, financial literacy, managing financial risks inherent in lending to youth entrepreneurs and to develop youth leaders, trainers and mentors within such settings.
- The concerned government ministries or departments have to undertake training needs assessment involving both the employers and providers of trainings on the one hand and the trainees on the other hand. This also gives youth a chance to take part in policy formulation.
- The national government shall expand the mandate of the Fund (and similar ones elsewhere) to include co-ordination of all national employment policies and programmes touching on youth affairs and stakeholder roles and activities.
- Stakeholders have to support and promote Business Idea Competition Fora at high-school level so as to entrench the entrepreneurship culture among the young people at an early age.

### **Note**

1. The literal translation of *Jua Kali* in Kenyan Kiswahili is fierce sun; over the years it has been used to mean an informal or non-formal sector where small-scale craft or artisanal works such as tools or textiles are made.

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