

Youth Unemployment Crisis in Kenya: Causes and Options

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Introduction

In many countries, especially in Africa, employment creation has not kept pace with the expansion of the working age population. Maisiba & Gongera, (2013) and Mbaye et al., (2019) identify youth unemployment and underemployment as major obstacles to development. Many policy interventions and relatively strong economic growth rates for over two decades have not curbed youth unemployment.

Youth Unemployment Crisis in Kenya

According to the Kenya National Bureau of Statistics, KNBS (2019) Kenya Population and Housing Census, the youth aged 15-34 years accounted for 36.1% of the total population which was estimated at about 47.6 million people. An estimated 35% of young men and women between 18-34 years are currently either unemployed or underemployed. The population of Kenyans aged between 18-34 years constitute 14 million or 29% of the total population. Youth unemployment is estimated to be as high as 35% (4.5 million young men and women), compared to the overall national unemployment rate of 10%. The gap between youth and adult employment rates places Kenya among the countries with the largest disparities between youth and adult rates in the region and among the lowest in terms of employment rates for youth. Out of this group, it is estimated that only about 17% of them are successful in securing formal jobs. Formal sector employment is only accessible to youth with secondary and tertiary education and only in the case of actual labour demand.

Kenya has a dual economy; a large and rapidly growing informal economy, and a small, relatively stagnant formal economy. The most recent KNBS (2020) economics survey estimates that the informal sector accounts for 83% of employed people in Kenya and at least 90 % of all new jobs are informal. Informal employment poses many disadvantages including less income security and little access to financial services.

While the youth unemployment rate is higher in urban areas (ranging from 35 to 60 per cent, compared to 20 to 25 per cent in rural areas), the absolute number of unemployed youth is higher in rural areas. Underemployment is higher in rural than in urban areas with many workers relying on seasonal work and subsistence agriculture (although unemployment is higher in cities). Kenyan women, particularly young women, experience higher rates of unemployment and underemployment compared to men. The average female rate of unemployment is more than 10 percentage points higher than the male rate. The gap is larger at younger ages than at older ages. At its highest point (ages 15-25) the female unemployment rate is almost 50%, compared to a male rate slightly above 30%. Therefore any employment opportunities are not accessed equally by women and men as would be expected under the decent work agenda. The negative

impact of such inequity in access to wage employment is worsened by the fact that on average, the mean monthly earnings from paid employment for males are about 1.5 times that of females (Omolo, 2011).

Kenya's employment dynamics also shows that the country has been experiencing shifts in forms of employment. This is depicted by increased casualization of work, contract engagement, outsourcing of jobs, subcontracting and temporary employment. Casualization of jobs and other contemporary forms of employment more often than not, do not facilitate the workers to enjoy the fundamental rights at work. Such rights include freedom of association and collective bargaining, right to paid leave, and the right to social protection as provided under the National Social Security Fund (NSSF) and the National Hospital Insurance Fund (NHIF). Even though the NSSF and NHIF have expanded their membership base to include casuals and other workers, only a few of the workers may have joined the schemes. Such forms of employment if not well checked, impair labour relations and erode worker protection. They also transfer additional responsibilities, such as social and trade union protection, job security, and wage negotiations to the worker. This may, however, be at the expense of productivity, national competitiveness and employment creation.

Causes of Youth Unemployment in Kenya

Many measures have been implemented by successful governments since independence to address the problem of youth unemployment. Recent short-term and medium-term measures include public works programmes such as the or jobs for the youth program, the Youth Employment Scheme Abroad (YESA), Youth Enterprise Development Fund (YEDF), and Kenya Youth Empowerment Programme (KYEP). These measures do not appreciate the root cause of youth unemployment being the mismatch between economic growth rate and the rate at which at which learning institutions release young people into the labor market. As shown in the table below, Kenya's economic performance has been erratic since independence in 1963.

Economic growth rates since independence.

Period Average Growth	Rate	Lowest Growth Rate for the Period	Highest Growth Rate for the Period
1965–1980	5.25	-1.01	12.84
1981–1990	4.27	0.35	5.97
1991–2002	2.19	0.40	4.82
2003–2008	4.82	1.5	7.0
2009–2012	4.38	2.7	5.8
2013–2016	5.4	4.6	5.9
2017–2019	5.5	4.8	6.3

Source: Various Economic Surveys in Kenya

While the country experienced relatively high economic growth rate for the first two and a half decades of independence, the rate of growth declined from the mid-1980s partly due to the global recession of the early 1980s and the structural adjustment programs

of the 1990s. The structural adjustment programs were associated with cuts in government expenditure, public sector downsizing, privatization, collapse of some private firms, and retrenchment of workers in others; all of which adversely impacted employment growth in the public sector. As shown in the table above, Kenya's economic growth picked up in the first half of 2000s, generally improving over the period except for the elections and COVID-19 shocks experienced in 2007/08 and in 2020 respectively. Economic growth has markedly improved in the recent years, with GDP growth averaging about 5.4% in the period 2013–2016 and 5.5% in 2017–2019. However, economic growth contracted by 0.3% in 2020 due to the adverse effects of COVID-19, but is expected to rebound strongly in the subsequent years (KNBS, 2021).

Kenya's economic growth is not resulting in sufficient productive jobs. Every year, over 800,000 young people enter the job market. In the last survey by the Kenya National Bureau of Statistics, KNBS (2020), a total of 520,000, 762,200 and 846,300 new jobs were created in Kenya in 2017, 2018 and 2019 respectively. In 2019, an estimated 846,300 new jobs were created. Even last year's growth rate is not sufficient to solve the problem of 4.5 million unemployment or under-employed youth. Things have worsened in the past two years due to a global recession coupled with the lockdowns due to COVID-19. The total workforce in Kenya consists of 24.7 million people. In September 2020 the number of the total number of employed shrunk to 15.9 million Kenyans from a higher 17.8 million in March 2020. Youth are disproportionately affected by the impact of economic downturn that partially relates to COVID-19.

Policy Options for addressing Youth Unemployment in Kenya

Fundamentally, the problem of unemployment requires properly planned, well-structured, and broad-based programs, and so far the government seems to be tinkering at the superficial level without a long-term, comprehensive plan. Accelerating economic growth is central to creating employment opportunities for youth, as well as providing market-driven education, training, and life skills. Tackling unemployment in Kenya should in essence seek to address two issues; creating the needed number of jobs and ensuring jobs are of good quality. Generally, jobs in the formal sector are also jobs of acceptable quality in terms of wages, hours of work and access to the benefits provided by labour markets regulations in the country. Informal sector jobs however cannot be said to be of acceptable quality because of lack of job security, wages below the standard living wage, lack of benefits like medical insurance and saving for retirements among other reasons. Addressing the unemployment problem should focus on policies that will ensure faster economic growth coupled with specific actions to ensure minimum quality employment.

Economic growth will only be achieved in an environment of policy predictability as well as a political and investment climate that encourages investors to make long-term commitments, even across election cycles. The political risk needs to be moderated so that investors can commit their capital into the economy regardless of the political choices made during elections. Government should focus on developing micro, small and medium

enterprises as an appropriate springboard from which to attract Foreign Direct Investment. Foreign investors will always take a cue from the local investors before committing funds into long-term projects in the economy. In Kenya, as much as 20% of the value of sales is lost due to crime, insecurity, power outages, bribes and inadequate transport. These costs are higher than in other East African countries, and 6 times the comparable cost in South Africa.

Incentives to formalize the informal sector may play a big role in creating more job opportunities. Their informal nature means they lack access to adequate financing and more importantly the regulatory support they need to flourish. Over 80% of employment in Kenya is generated by the informal sector. One way the government can boost productivity in this sector is by simplifying tax procedures so as to rope the informal businesses into the tax base and make them formalize their operations. This will bring the businesses within the aura of government support and lead to better quality jobs being created.

Transforming agricultural sector into agri-business can not only create employment in rural areas but also reduce rural-urban migration hence reducing urban unemployment. The forward and backward linkages in the agricultural sector will create more opportunities, given that the country is food-deficient. Therefore, the problem of hunger and malnutrition will also be addressed. Besides agriculture, the government should also implement policies aimed at industrial diversification. With a variety of industrial sectors, there will be an expansion of employment opportunities in the economy. Several collapsed sectors like cotton, pyrethrum, tobacco and several others that are operating sub-optimally such as coffee and sugar-cane farming can be revived as a matter of priority by the government. To create high value jobs, this must never stop at farm-level production but value addition so that more jobs are created in the entire value-chain. Industrialization is largely the answer to the problem of unemployment in Kenya. The County Governments have a unique role to play in fostering the development of robust cottage industries, in line with the comparative advantages of the various counties. This will largely solve the problem of local unemployment hence national unemployment.

Transforming education sector so as to ensure it produces graduates relevant skills for either self-employment or formal employment should be at the centre of government policy. This should include modernizing the curriculum, equipping learning institutions right from primary to tertiary level and ensuring the right staffing to produce graduates well prepared to be productive in the economy. The government may also take advantage of technology to innovate and expand education beyond their walls of the classroom. With well-rounded graduates coming out of learning institutions, the government should seek opportunities to export labor to other countries that are labor deficient in areas where Kenya has a surplus. Already, Kenya has exported nurses to UK and several other professionals who have, through their own arrangements found work in other countries like United Arab Emirates, Rwanda, USA among others. These can be scaled up through official government policy.

Conclusion

Youth unemployment is not a sticking time bomb that needs a 'marshal plan' to address it. Long-term joblessness has led to some young people withdrawing from the labor market to engage in crime besides becoming prime candidates for recruitment into criminal and terrorist organizations. Besides, the economy will not achieve its full potential when a critical and perhaps most important part of its segment is left out of productive economic activity. Dealing with the problem requires a multifaceted approach involving the government, the private sector and other non-state actors who may have specialist knowledge and experience on massive job creation when the level of joblessness is almost a crisis. A key plank to generation of sufficient job opportunities is widening the industrial base of the country, focusing on key sectors like primary agricultural production up to value addition, formalizing the informal sector and reduction of political risk so that investors can make long-term commitments. Ad-hoc short-term interventions, while important are not likely to produce sustainable results.

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