



Issues in Labor Resource Management in Kenya

April 1995
(pdf version December 2000)

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Abstract

Labor markets in Kenya function largely around the production and consumption of agricultural goods. In this paper, we review government policies toward labor in Kenya, with particular emphasis on education. As educational opportunity expands, labor tends to migrate from rural to urban areas, thus increasing the challenge of maintaining full employment. In our view, the goal of full employment will require a shift in some resources from formal education alone to in-service training and the opening of more schools to informal educational programs.

Technical Assistance in the preparation of the current version of this document has been provided by Monica Mocanasu, graduate assistant in the Department of Economics and Finance of the School of Business, Montclair State University.

1. Introduction

At the achievement of independence in 1963, Kenya possessed a relatively large industrial sector composed mainly of processing and last stage assembly parts. In 1963, its industrial production was recorded at 13.89 of the Gross Domestic Product¹. Kenya's per capita income was around five dollars per year. Within this context, Kenyan government began to map a developmental strategy for the years ahead.

Five major factors of the colonial economic heritage influenced the Kenyan government's decision about an appropriate development strategy²:

1. Considerable inequality in income persisted in the distribution of the national wealth.
2. The political power structure in the colonial Kenya created and perpetuated a racial stratification of employment with Africans at the bottom.
3. A highly militant trade union movement had overshadowed the power of the political parties by the eve of independence.
4. There existed unemployment problem which threatened the development process and political stability.
5. The rapid increase in population which surpassed the food supply or availability.

With these factors in mind, Kenya embarked on a developmental strategy centered on the control of population rate of growth which was aggravating the problems of poverty, expansion of basic education, unemployment and income distribution.

In Kenya, the economic and social conditions under which food is produced differ substantially from those with which most agricultural economists are familiar. The majority of the people in Kenya live in the rural areas isolated from the necessary means of transportation and communication. Rural communities, which account for more than 80% of the population, are mainly small scale farmers. The farming is primarily for family subsistence or local consumption. Their tools are simple and they depend primarily on muscle power, both human and animal.

¹ Republic of Kenya, *Development Plan*, 1966-70, p. 17.

² Makau, P.M. "The Control of Trade Unions as an Option for Economic Development," unpublished manuscript, August 1985.

Another important feature of Kenyan rural communities is that a large proportion of adult women tend to stay home as housewives or, if they work, tend to be limited in the range of jobs which they can do. Therefore, women constitute an important part of the agricultural production, particularly among the ethnic communities. Other factors also accounting for this high proportion of adult women as not being economically productive are social and religious restrictions placed upon the female portion of Kenyan population. If some of these restrictions were relaxed, more women participation rate in gainful employment would be increased.

2. Labor Market Dynamics and the Role of Education

There is an established literature that defines the dynamics of the labor force, educational enrollments, and unemployment. Adam Smith (1937) recognized that schooling deserves financial support from the state. It is argued that if education is not offered at subsidized rates, many people will not invest adequately in their own schooling and, consequently, the society will lose the benefits that accrue from education. Makau (1988) demonstrated that better education for the average man hopefully yields economic and other benefits to the society in excess of those enjoyed by the individual³. Becker (1964) pointed out that the main motivating factor had probably been a realization that the growth of physical capital, at least has conventionally measured, explains a relatively small part for the growth of income in the most. Senior (1964) argued that a country with fertile soils, skilled manpower and a favorable climate is capable of supporting a higher density of population than one which is less fortunate in these respects.

Since the attainment of independence, Kenyan government has placed a high priority on the development of formal education. By 1977, the number of primary schools had risen to 8,896 compared to 6,111 in 1969. During the same period, the number of secondary schools rose to 1,473 in 1977 from 694 in 1969. Similarly, there had been a tremendous increase in the number of pupils enrolled in these schools. Primary education enrollment was recorded at 2,974,849 in 1977 compared to 1,282,289 in 1969. While that of secondary schools was 313,997 in 1977 compared to 115,246 in 1969. In contrast, the number of primary school teachers reached 89,764 in 1977 compared to 38,312 in 1969⁴.

The government's willingness to finance both primary and secondary education is an indication that improving people's skills and provision of knowledge will raise the society's standards of living in the future. Bevars argues that humans possess a bundle of

³ Makau, P.M. "The Economic Benefits of Primary Education," unpublished manuscript, 1988.

⁴ *ibid.*

aptitudes and inherent abilities which can be and are developed through educational and training programs to perform multitudinous tasks. In varying degrees, the sources of training may be informal and provided by the family, as countries in which the bulk of the population are agriculturally employed, or it may be formal and provided by institutions, such as the schools or the firms. For the last two decades, education has been in crisis in many developing countries yet the World Bank has been asking these cash-strapped governments to spend more on their universities as the only solution to the problem. The bank called for more diversity in types of post-secondary institutions, the development of new sources of revenue, a focus on academic equality and increased accountability.

Kenya has taken advantage in mobilizing education and training which has contributed greatly to social, political and economic development. The agricultural development range from teaching farmers specific skills and training persons to establish and manage marketing, transportation and credit institutions to developing, among the people, the abilities and attitudes necessary for citizenship and leadership in a modern commercial society.

These contributions are mutually reinforcing. People's development of understanding and skill in some area enhances their potential for advancement in others. Most fundamentally, development of human resources requires changes in the attitudes and actions of individuals. Expansion of education is helping Kenyans understand why change is necessary and it is preparing them for making decisions required in achieving change. In order to increase agricultural productivity, the farmer is becoming more aware of how fertilizer increases yield the proper kind and quantity of fertilizer in relation to rainfall is applied.

3. The Evolution of Kenya's Labor Force

A labor market is defined as an arrangement whereby buyers and sellers of human energies, skills and time are brought together. In exchange for human services, wages and/or salaries are paid and these remuneration may be either in money or in commodities or services. The rise of the labor market has paralleled the rise in the use of paid labor. In 1963, just at the eve of independence, there were 500,000 people employed in the formal sector. This number had grown to 2.1 million by the end of 1992. The employment in the formal sector is equally split between private and public sectors. In 1992 employment in the formal sector grew by 1.4% compared to 2.3% in 1991. This compared unfavorably with the population rate, which grew at 3.8 in 1992.

The sellers of labor services are identified as being either primary or secondary members of the labor force. A person is a member of the primary labor force if her or she normally participates in the labor market, that is, he is employed or seeking employment. He may work only part-time or full-time, although most participants prefer full-time employment because they or their families depended upon employment for their livelihood. Members of the secondary labor force are those whose commitment to the labor market is marginal⁵.

It is important to note that the key to improvement of labor force (quality) is the provision of good basic education and technical training. This improves expectations and aspirations of the workers, which, in turn, improves productivity. Also, as literacy increases, so is the improvement of skill of the labor force. A broad based primary education is a prerequisite for literacy and literacy, in turn, is a basic foundation for economic growth.

The informal sector, on the other hand, and which plays a crucial role in absorbing people who cannot get formal employment. This sector accounted for 566,000 people and its rate of growth was 14% in 1992, matching the growth rate for 1991. This will, in the future, be the major source of employment for Kenya's rapidly expanding population.

Table 1
Population and Wage Employment Growth 1986-1992

| Year | Population (millions) | Wage Employment (000's) |
|-------------|------------------------------|--------------------------------|
| 1986 | 20.9 | 1,227 |
| 1987 | 20.1 | 1,280 |
| 1988 | 20.8 | 1,341 |
| 1989 | 21.5 | 1,368 |
| 1990 | 22.2 | 1,409 |
| 1991 | 22.9 | 1,442 |
| 1992 | 25.7 | 1,463 |

Source: Kenya Statistical Bureau, *Key Economic and Social Indicators*, 1994.

⁵ Leftwich, Richard. *Economics of Social Issues*. Texas: Business Publications, Inc., 1984, p. 317.

Table 2
Wage Employment by Industry and Sector (1989-1993)
(000's)

| | 1989 | 1990 | 1991 | 1992 | 1993 | % change |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| Private Sector | | | | | | 92/93 |
| Agriculture and Forestry | 195.1 | 202.4 | 200.9 | 203 | 205.9 | 1.43 |
| Mining and Quarrying | 3.4 | 3.4 | 3.6 | 3.7 | 3.8 | 2.7 |
| Manufacturing | 141.8 | 146.1 | 149.8 | 151 | 154.3 | -2.19 |
| Electricity and Water | 0.2 | 0.5 | 0.5 | 1 | 1.2 | 20 |
| Building and Construction | 33.4 | 36.8 | 40.7 | 42 | 42.4 | 0.95 |
| Resaurants and Motels | 101.4 | 104.6 | 108.8 | 111 | 154.1 | 2.79 |
| Transport and Communiccations | 24.5 | 26.1 | 27.3 | 28.7 | 36.4 | 26.83 |
| Finance, Insurance, Real Estate and Business Services | 45.3 | 47.1 | 1990 | 1991 | 1992 | 1993 |
| Community, Social and Pers.Services | 137.7 | 142.5 | 147.7 | 171.3 | 176.6 | 3.09 |
| Total Private Sector Employment | 682.8 | 709.5 | 726.6 | 763.2 | 789.5 | 3.45 |
| Public Sector | | | | | | |
| Agriculture and Forestry | 66.7 | 67.3 | 71.1 | 70.9 | 68.4 | -3.53 |
| Mining and Quarrying | 0.6 | 0.7 | 0.8 | 0.7 | 0.7 | 0 |
| Manufacturing | 41 | 41.6 | 39.1 | 39.3 | 39.3 | 0 |
| Electricity and Water | 22.2 | 21.9 | 21.9 | 21.3 | 20.9 | -1.88 |
| Building and Construction | 35.3 | 34.6 | 31.7 | 31.2 | 30.2 | -3.21 |
| Resaurants and Motels | 8.9 | 9.3 | 7.9 | 7.5 | 7 | -6.67 |
| Transport and Communications | 51.3 | 48.4 | 48.9 | 48.1 | 40.9 | -14.97 |
| Finance, Insurance, Real Estate and Business Services | 18.4 | 18.2 | 19 | 19.1 | 17.8 | -6.81 |
| Community, Social and Pers. Services | 441.2 | 457.8 | 474.7 | 460.6 | 460.2 | -0.09 |
| Total Public Sector Employment | 685.6 | 699.8 | 715.1 | 698.7 | 685.4 | -0.09 |
| Total Wage Employmet | 1368 | 1409 | 1441 | 1461 | 1474 | 1.55 |

4. Unemployment Dynamics

In general, unemployment may be defined as a situation which persons who are qualified for a job, willing to work and willing to accept the going wage rate cannot find a job without considerable delay. There are three important aspects to this definition:

- a. The person has to be qualified for a job.
- b. One must be seeking a job and willing to work at the market wage rate.

- c. It may take time to find a job that a person is qualified for and is willing to accept at the going wage rate⁶.

Both economic and social effects are associated with unemployment. The economic effects are related to the impact of unemployment on the nation's production of goods and services, that is the Gross Domestic Product. The social effects of unemployment are more difficult to pin down and measure, but they are just as real as the economic effects.

From a human resource point of view, idle human resources represent a waste, a loss of goods and services and, therefore, a loss of real income. Unemployed resources could easily have contributed to society's well-being; the economic value of the lost contribution of goods and services is the economic cost of unemployment. The difference, then, between what may and what is produced at less than the full employment.

Human relations outside the family are also seriously affected by unemployment. An employed person loses self-respect and influence among the employed, may be rejected by working companions and lose pride and confidence. In the end, the unemployed may become a spiritually disabled person⁷. The incidence of unemployment leads to instability and increases crime among low income earners. During a period of high unemployment consumption and savings are reduced, debt is incurred and, for many unemployed persons, home and auto loans may be defaulted.

There are some factors which measure the total costs of unemployment in any given situation. Unemployment may affect not only current production of goods and services, but also future productivities. During periods of unemployment, machines, as well as workers, are idle, capital goods, plant and equipment become obsolete and are not replaced. Thus, the productivity of labor and the overall ability to the economy to produce in the future are reduced during periods of unemployment.

Finally, unemployment has serious effects on social relations. Unemployment threatens the stability of the family as an economic and social unit. Without income or with a loss of income, the head of the family cannot play the role in which he or she was cast. Family needs and wants are not fulfilled and family relationships suffer as a consequence. Also, market controls in the economy are a response to two serious

⁶ *ibid.*, p. 313.

⁷ Pohlman, J.E. *Inflation Under Control*. Virginia: Reston Publishing Company, Inc., 1961, p. 35.

economic problems of one major significance. These are unemployment and inflation. Indeed, many economists believe that a major economic problem for the rest of the century will be the need to reach high levels of employment while maintaining stable price levels, but this is just an illusion⁸.

5. The Role of Trade Unions in the Kenyan Economy

Before independence trade unions or workers, organizations were highly political and powerful. After independence in 1963 they had to consider their role and commitment to national development. By 1966 a number of trade unions were registered under the Trade Union Act 1966, These unions are organized by industry rather than craft and union membership is voluntary. There is a well-established industrial court for labor disputes. A cordial system of industrial relations has been developed since 1963.

Long ago, Karl Marx (1868) warned against organizing the labor movement in a centralized and conspirational manner as this would run counter to the development of the proletarian movement and because such organizational forms subject the workers to authoritarian and mystical laws which impair their independence and guide the consciousness in a wrong direction⁹. Here, Marx was, in essence, putting more emphasis on his notion of the law of development of human history: the simple fact, hitherto concealed by an overgrowth of ideology, that mankind must first of all eat, drink, have shelter and clothing before it can pursue politics, science, art, religion and so on.

Kenya appears to have taken a second thought about trade unionism by the beginning of 1966. In January 1966 Kenya, by the Act of Parliament, passed the Central Organization of Trade Union (COTU) as a control device which brought trade union movement in line with the one party state and thereby fulfilled the provision of the Sessional Paper No. 10 of 1965 on African Socialism and Its Application to Planning in Kenya¹⁰. During the same year, the Preservation of Public Security Act of 1966 was passed. Under this Act, any trade union leader could be detained indefinitely. This was followed by the Trade Union Act of 1970, which gave the Registrar role of an umpire of trade unions. He has the power to dissolve, make alterations of union names, refuse to register any trade union, effect cancellation or suspend registration of a trade union. The Act made provisions for freedom of association: that is the right to form trade unions,

⁸ Republic of Kenya. Sessional Paper No. 10 of 1965 on "African Socialism and Its Application to Planning in Kenya," p. 46.

⁹ Wolfgang, Leonhard. *Three Faces of Marxism*. NY: G.P. Putnam's Sons, 1970, p. 10

¹⁰ *op.cit.*, Sessional Paper No. 10.

especially as provided in the Bill of Rights. Under these acts (COTU) the management of labor is under three bodies or groups: the Registrar, trade union and the employer.

6. Conclusion

In final analysis, the key challenge facing Kenya now is to devise ways and means to create jobs for school leavers. This is a formidable challenge because unemployment in the formal sector is currently very high, estimated around 20%. There is a large number of primary and secondary school leavers who are entering the labor market every year. These young persons have to be provided with skills through in-service training and by opening more schools for informal education. Some of these could also be deployed to community service in order to reduce the burden and lower unemployment.

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