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Empirical review of youth employment policies (YEPs) and their impact in Kenya.

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Empirical Review of Youth Employment Policies (YEPs) and Their Impact in Kenya

The Partnership for Economic Policy is partnering with the Mastercard Foundation for a three-year initiative on "**What Works for Youth Employment in Africa**". The initiative aims to provide evidence that can drive policy reform to increase youth employment in 10 African countries: Burkina Faso, Ethiopia, Ghana, Kenya, Niger, Nigeria, Rwanda, Senegal, South Africa and Uganda. The initiative aligns with the Mastercard Foundation's Young Africa Works strategy that seeks to enable 30 million young Africans, particularly young women, to access dignified and fulfilling work by 2030. Teams of local researchers and policy stakeholders are carrying out gender-aware policy and impact reviews in each country. The resulting analysis and findings will build a body of knowledge on youth employment policy in Africa, and will be stored in a new online knowledge repository.

This policy paper was developed as part of the project supported in Kenya. For more information, please visit: **www.pep-net.org/programs/youth-employment**

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1. Policy context analysis

Although Kenya has had stable economic growth and a positive economic outlook, there is a need for a more inclusive growth process that creates ample job opportunities for its youth. Despite the country's relatively high levels of economic growth for almost two decades, that growth process has not been sufficiently inclusive. This can be traced to high levels of poverty and a growing pool of unemployed people, particularly youth (World Bank, 2008). Greater efforts are needed to enhance growth that is more inclusive and that generates ample and productive jobs for youth.

This matters, given the severity of Kenya's labour market challenges and a population that is, increasingly, young. The median age in Kenya is 19 years, compared to a global median age of about 30 years in 2019. Youth are more likely to be unemployed, underemployed or outside the labour force than the rest of those who are of working age. Data from the 2015/2016 Kenya Integrated Household Budget Survey indicate a youth unemployment rate of 17.7%, compared to an overall unemployment rate of 7.4% among those of working age. In addition, time-related under-employment was estimated at 35.9% for youth, compared to 20.4% for the overall population (KNSB, 2015).[1]

The poor quality of jobs is also a significant challenge for Kenya's youth. Although about half of all youth are employed – as suggested by the employment-to-population ratio (EPR) in 2009 and 2019 – over 40% are in vulnerable employment. Vulnerable jobs include employment either as contributing family workers (21.8% of youth) or own account workers (19.7% of youth). These two groups indicate the extent of vulnerable employment, which is usually defined as the sum of contributing family workers and own-account workers. These jobs tend to be characterized by low productivity, low income, inadequate job security, insufficient social protection, and minimal prospects for personal development.

A related concern is the large share of youth who are neither employed or unemployed (45.6% in 2019). In addition, female youth are disadvantaged in comparison to their male counterparts for nearly all employment indicators. For example, a larger proportion of females (20.3%) than males (3.6%) were homemakers in 2019. Although the share of youth in education has increased (particularly since 2013), greater efforts are needed to engage more unemployed youth in education, training and skills development programmes.

Many aspects of political economy have an impact on Kenya's youth employment programmes (YEPs). One aspect is that most YEPs, including the country's public works programmes (PWPs), usually target youth in urban areas – and particularly within informal settlements. There is a lack of any commensurate effort to address rural youth employment, even though most youth (over 60%) live in rural areas. In addition, some interventions – such as the Labour Market Information System – may be less accessible to poor and/or rural youth.

While the Constitution adopted in 2010 has resulted in significant progress towards strengthening Kenya's policy, legal and institutional frameworks, the underlying nature of the governance regime means that transparency and accountability remain significant

[1] In the Kenyan context, as has been defined in other labour surveys, we defined time-related underemployment as all individuals in employment who worked for less than 28 hours in a week.

challenges. This continues to suppress investment and public trust, as well as the resilience of political and governance institutions.

Policy and programme interventions

The challenges of youth unemployment, underemployment, and employment in poor quality jobs imply the need to create not only more jobs, but also jobs of better quality. In addition, Kenya's youth face huge skills deficits and gaps. Ambitious approaches are, therefore, vital to address the scale of these challenges for the labour market.

The policy and programme interventions put in place by the government and other actors were discussed in five broad categories:

i) interventions to make the labour market work better – such as public works programmes

ii) support for entrepreneurs – through enhancing access to credit

iii) training on skills

iv) making training programmes work better, and

v) programmes that include more than one of these other interventions.

For each of these categories, several interventions have been put in place by the stakeholders, including the national and county governments of Kenya. The broad conclusions from the review of youth employment programmes are as follows:

i) **Most of the youth employment interventions tend to focus on only one aspect of the situation.** The PWPs, for example, focus on the supply of wage labour by beneficiaries. Yet, the challenges facing the youth labour market – unemployment, underemployment, and employment in poor quality jobs – are driven by a complex set of mutually reinforcing causes. These include challenges that: hinder job creation; limit the development of an appropriately skilled youth workforce; impede the matching of employers and relevant employees; and stifle the transition from school to work. The partial focus of most YEPs limits their overall impact. The implication is that job creation interventions for youth should take a more holistic approach to address the wider challenges to youth employment. One example of a programme designed to address the complex nature of the problem is the Kenya Youth Employment and Opportunities Programme (KYEOP). More interventions should be designed to be comprehensive in nature.

ii) **The YEPs are fragmented and are rarely integrated or linked with wider macroeconomic or sector-specific policies. There are also fragmented efforts across various actors as a result of the numerous and increasing players involved in YEPs.** At the government level, a variety of ministries, counties, departments, and agencies (MCDAs) deal directly or indirectly with youth employment. There is no defined structure to bring different MCDAs together, resulting in weak coordination that hampers the overall effectiveness of interventions. There is also insufficient engagement with the private sector, even though it is an essential stakeholder. The implication is that there is a need to promote strong partnerships among MCDAs, private sector actors, and civil society organizations (CSOs).

iii) **Implementation of YEPs is often ineffective and falls short of the transformational change that is needed.** Although Kenya incorporates employment objectives and targets in its national development plans, there is still much to be done to create effective policies. For example, insufficient funding and limited flexibility in funding instruments for YEPs are key hurdles. One implication is that job targets need to be matched by commensurate financial and other resources. Efforts should be made to ensure shared accountability for action and results with clear implementation plans.

iv) **Interventions in skills training that promote labour supply are given more weight than demand-side interventions** – such as easing the constraints to business development and job creation at sectoral level. The effects are particularly severe for the rural economy, where the agribusiness environment requires enhanced interventions to create greater impact. Horticulture, for example, has been identified as a key sector for job creation in Kenya. As well as needing skills development, this sector also needs complementary policies that reduce its key constraints. These policies include greater investments in supportive infrastructure, such as cold-chain structures and measures to tackle the non-tariff barriers that limit access to international markets.

v) **Interventions to improve labour market regulations have tended to lag behind developments in the labour market.** While gains have been made, some challenges remain on the adequacy of labour and employment laws and regulations. One broad challenge is that constraints related to the quality of employment (labour regulations, social protection, and social dialogue) are insufficiently addressed. There are also challenges to access to social protection and to youth representation in social and policy dialogue. In addition, Kenya has only recently put in place regulations to facilitate overseas employment, even though many youth were already seeking jobs abroad.

vi) **More data and information from both research and evaluation are needed to enhance future programmes and policies.** There is no comprehensive, accessible, and aggregate information on YEPs, including on their impacts, costs and lessons. This is often because monitoring and evaluation (M&E) are not inbuilt design features for most interventions. In addition, labour market information systems (LMISs) are often weak, fragmented and outdated in terms of the available data. They are also limited in scope (e.g., failing to capture the informal sector). The implication is that mandated agencies will need to develop or enhance existing information portals. Synergies can be reaped from cooperative efforts such as the recent Youth Dashboard initiative.[2]

The macroeconomic framework

Kenya's economy has recorded relatively steady growth since 2003, with its real economic growth rate averaging 5.05 % from 2003 to 2021. This growth performance followed a period of slow growth in the 1990s and early 2000s. The country's economic performance was disrupted in 2020 following the outbreak of the COVID-19 pandemic, which saw the economy contract by 0.3%. However, the economy rebounded to achieve a growth rate of 7.5% in 2021.

[2] The Youth Dashboard is a web-based portal hosted by KIPPRA, with data on youth and children on demography, health and key indicators of the labour market. The information is summarized from national surveys.

To a large extent, Kenya has achieved its monetary policy objectives over the last decade, maintaining low inflation, a competitive exchange rate and affordable interest rates. The inflation rate has been within the country's target range (5% ± 2.5%) in recent years. Even so, there are periodic inflation shocks that are driven almost entirely by food and energy supply shocks. It is imperative, therefore, that policymakers pay attention to the sources of inflationary pressures and devise policies to reflect these specific circumstances. In terms of exchange rate stability and trade performance, Kenya's economy is heavily dependent on imports in the areas of energy products, chemicals, equipment and machinery. Therefore, the country's goal of promoting exports may need to go beyond exchange rate stability to include a reduction of its import dependency.

Fiscal, monetary and financial sector challenges have undermined Kenya's private investment growth, and an expansionary fiscal stance in recent years has contributed to elevated fiscal deficit levels. As a result, private sector investment may have been crowded out.

2. Description of policy options

This study, and other studies on employment, provide direction on two broad aspects that touch on policy options for the Government. The first is the identification of the YEPs that are the most effective in creating jobs, while the second is the identification of the sectors that have the greatest potential to spur economic growth and employment per unit of investment.

On the first aspect, there is consensus that comprehensive programmes are the most effective for job creation. While each of the YEPs are important individually, they should be implemented more comprehensively to enhance their effectiveness. This study makes a case for measures to make YEPs holistic to improve their outcomes, rather than focusing on single aspects of the challenges to the youth labour market. An example of a comprehensive programme is provided in the recommendations section.

On the second aspect, there is ample evidence on the identification of sectors or sub-sectors that should be prioritized for their potential to create the most jobs per unit of investment. This evidence has been provided by various studies (Munga et al., 2021; JICA, 2007). A synthesis of studies that analyse sectors likely to create the most jobs suggests the following conclusions.

i) On industrial transformation, agro-processing makes a relatively larger contribution, followed by the textile and garment sector, than eight other sub-sectors. This suggests that investments in these two sectors are important for job creation.

ii) The sectors identified as having the greatest potential to create wage jobs for youth aged 20 to 24 as well as those aged 18 to 34 are trade and repairs, construction, and manufacturing, with shares of 10.1%, 9.5% and 8.8% of all wage jobs, respectively. In addition, tourism, horticulture, and information and communication technology (ICT) were identified as important sectors for the creation of wage employment among youth, with shares of 5.9%, 4.3% and 3.4% of total wage employment (respectively) expected by 2030.

iii) In relation to sectoral/industrial clusters, the sectors identified as important included: transport and logistics at the Port of Mombasa; ICT in Nairobi; coast beach Tourism; beef in Garissa; and horticulture in Naivasha-Limuru.

iv) Informal employment has been – and continues to be – an enduring part of youth engagement in the labour market in Kenya. Interventions to make the informal economy more productive are crucial in contributing to better quality jobs.

Methodology

The main objective of the study was to conduct a comprehensive review of youth employment policies and programmes in Kenya. The study utilized a mixed method research approach and adapted the categorization framework of interventions to alleviate unemployment used by Betcherman (2007).

Primary qualitative data were obtained from national and sub-national levels through 41 focus group discussions with 410 participants and interviews with 259 key informants. These included policy makers, programme implementers, beneficiaries, labour officers, occupational safety and health officers, employment officers, training officers, and representatives of workers and employers' unions.

Secondary quantitative data were sourced from the Kenya National Bureau of Statistics (KNBS), publicly accessible data sources and policy and strategy documents, including those from the Ministry of Labour and State Department of Youth Affairs.

The main secondary sources were the Kenya Integrated Household Budget Surveys (KIHBS) of 2005/6 and 2015/16; samples of the 1999, 2009 and 2019 Kenya Population and Housing Census data and reports; and the Quarterly Labour Force Survey Reports produced and published by the Kenya National Bureau of Statistics. The research team also reviewed various impact evaluation studies on youth employment programmes in the Country.

3. Evaluation of policy options

The assessment in this study does not identify or imply clear-cut policy options. Even so, it does identify broad policy interventions that are essential to enhance youth employment in Kenya. The key policy messages are as follows:

i) **There is a need to support a diverse set of sectors/sub-sectors that encompasses agriculture, industry and services to create job opportunities.** In particular, there is a need for the following:

a) Support for the agricultural sector, given its major contribution to economic output and its potential for further increases in productivity and employment creation. Viable strategies include:

- support for the development of microenterprises in the many prioritized value chains, which include the sub-sectors of agro-processing and horticulture highlighted in the previous section
- the development of human capital to fuel growth in the prioritized value chains, including agro-industry

  - investment in infrastructures that enhance agricultural production and job creation in prioritized value chains.

b) Support for the growth of manufacturing, which has great potential to create jobs but has seen growth that is relatively low. The sector can be supported by: investing in job-creating small- to medium enterprises (SMEs); creating skills; and capacity building for policymakers who support industrial development.

ii) **There is need to improve efficiency in the supply of enablers, including ICT, energy, finance and insurance, and transport.** The Government can equip itself to become an engine of job creation for youth using various actions. These include the incorporation of youth employment at the centre of socio-economic policy, and the addition of youth employment indicators into M&E systems.

Table 1. Evaluation of policy options

Criteria \ Policies	Option 1 **Make the labour market work better**	Option 2 **Improve opportunities for entrepreneurs**	Option 3 **Train on skills and make training programmes work better**	Option 4 **Improve labour market regulations**	Option 5 **Facilitate overseas employment**
Effectiveness	Yes	Yes	Yes	Yes	No
Negative unintended consequences	No	No	No	No	Yes
Equity	Yes (unemployed/ poor youths)	Yes (unemployed/ poor youth)	Yes (unemployed/ poor youth)	Yes (unemployed/ poor youth)	Yes (unemployed/ poor youth)
Cost-effectiveness	Yes	No	No	Yes	Yes
Feasibility	Yes	Yes	Yes	Yes	Yes
Acceptability	Yes	Yes	Yes	Yes	Yes
Recommend	Yes	Yes	Yes	Yes	No

Key to Table 1

(red)	Negative
(green)	Positive

4. Conclusions and recommendations

Kenya has made concerted efforts to address youth unemployment through policies and through the implementation of various YEPs. At the national level, Kenya has various programmes that aim to offer youth different services, including skills development, overseas employment and comprehensive programmes. At the county-government level, various youth policies and programmes are being implemented. In general, programmes that provide skills training or offer grants for start-ups are the most prevalent within the wider set of interventions.

There are, however, several challenges for the design and implementation of YEPs. These include the following.

i) The skills training programmes offer mainly basic skills while the labour market demands high level skills and adaptation to technology.

ii) The low levels of awareness of ongoing interventions results in low uptake, especially among Kenya's rural youth.

iii) There are also human and other resource constraints.

The effective and impactful implementation of YEPs requires the following.

i) **A holistic approach to job creation interventions for youth**. This can be achieved by: establishing a centralized coordination framework for the national- and county-level implementation of youth policies and programmes; by promoting partnerships to consolidate interventions; and through linkages with wider macroeconomic or sector-specific policies. It may be important to direct support from the private sector and donors towards the sustainability of existing and planned government activities, rather than towards the continuous proliferation of new and independent programmes.

ii) **The adaptation of the design of interventions where necessary (including PWPs as well as YEPs).** In addition, there is a need to design more interventions that are comprehensive in nature, building on the example of the Kenya Youth Employment and Opportunities Project (KYEOP). The Project aims to improve youth employability, support job creation, improve labour-market information systems and strengthen youth policy development.

iii) **Enhance the awareness of youth about existing YEPs to increase the uptake of programmes** such as the *Ajira* Digital initiative[3], which is free of charge. This is particularly important for youth in rural areas. A collaborative advocacy and

[3] The *Ajira* Digital Programme is designed to empower young people to access digital job opportunities. It provides skills training on digital marketing, transcription, data entry, virtual assistance and content writing. The programme has trained almost 83,000 youth in universities, technical vocational education and training (TVET) institutions and Constituencies and has established 42 *Ajira* Digital Clubs in universities across the country. More importantly, the programme has created job opportunities for over 870 youth who have been hired within the Judiciary to provide transcription and data entry services.

communication strategy can be developed that spans the State Department of Youth Affairs, the National Youth Council, specific programmes and county governments to increase youth awareness.

iv) **Strengthen information on – and the monitoring and evaluation of – YEPs**, going beyond performance contracting for public sector programmes. There is a need to enhance existing information portals. As noted, synergies can be reaped from cooperative efforts such as the Youth Dashboard initiative. Effective M&E will ensure the regular tracking of programmes to identify gaps in implementation, opportunities for improvement and lessons learned for future programmatic design.

v) Establish continual (rather than one-off) engagement with the political environment to overcome programme-related challenges emanating from aspects of political economy. To achieve this, YEPs need to integrate political analysis into their design and implementation.

vi) Identify and remove regulatory barriers and entry restrictions that stifle competition and the growth of sectors and sub-sectors. As examples, some of the agricultural produce markets – such as pyrethrum, maize and sugar – are dominated by inefficient State-owned enterprises. The high regulatory requirements in some of these sectors (such as tea) need to be removed to spur their further growth.

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