Involvement of Labour Relations in the Fight of Poverty in Kenya - 2002 to 2009

As Relações de Trabalho no Combate à Pobreza no Quênia – 2002 a 2009
UNIVERSIDADE ESTADUAL DE CAMPINAS
INSTITUTO DE ECONOMIA

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in Kenya - 2002 to 2009

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– 2002 a 2009

Prof. Dr. Alexandre Gori Maia – orientador

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<th>Description</th>
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<tr>
<td>CBK</td>
<td>Central Bank of Kenya</td>
</tr>
<tr>
<td>COTU(K)</td>
<td>Central Organization of Trade Unions in Kenya</td>
</tr>
<tr>
<td>CIPEV</td>
<td>Commission of Inquiry into Post-Election Violence</td>
</tr>
<tr>
<td>CPI</td>
<td>Consumer Price Index</td>
</tr>
<tr>
<td>DFI</td>
<td>Development Finance Institutions</td>
</tr>
<tr>
<td>DPMG</td>
<td>District Poverty Monitoring Group</td>
</tr>
<tr>
<td>ERP</td>
<td>Economic Reform Programme</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>FKE</td>
<td>Federation of Kenya Employers</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GOK</td>
<td>Government of Kenya</td>
</tr>
<tr>
<td>HIPC</td>
<td>Heavily-Indebted Poor Country</td>
</tr>
<tr>
<td>ILO</td>
<td>International Labour Organization</td>
</tr>
<tr>
<td>IPC</td>
<td>International Poverty Centre of UNDP</td>
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<tr>
<td>KILM</td>
<td>Key Indicators of Labour Market</td>
</tr>
<tr>
<td>KNBS</td>
<td>Kenya National Bureau of Statistics</td>
</tr>
<tr>
<td>KLSS</td>
<td>Kenya Living Standards Survey</td>
</tr>
<tr>
<td>KPRS</td>
<td>Kenya Poverty Reduction Strategy</td>
</tr>
<tr>
<td>Ksh</td>
<td>Kenya Shillings</td>
</tr>
<tr>
<td>ITUC</td>
<td>International Trade Union Congress</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
</tr>
<tr>
<td>Acronym</td>
<td>Full Form</td>
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<td>---------</td>
<td>-----------</td>
</tr>
<tr>
<td>MDAs</td>
<td>Ministries, Departments, and Agencies</td>
</tr>
<tr>
<td>MDGs</td>
<td>Millennium Development Goals</td>
</tr>
<tr>
<td>MFEP</td>
<td>Ministry of Finance and Economic Planning</td>
</tr>
<tr>
<td>ML&amp;HR</td>
<td>Ministry of Labour &amp; Human Resource</td>
</tr>
<tr>
<td>MOTI</td>
<td>Ministry of Trade and Industry</td>
</tr>
<tr>
<td>NSSF</td>
<td>National Social Security Fund</td>
</tr>
<tr>
<td>NHIF</td>
<td>National Hospital Insurance Fund</td>
</tr>
<tr>
<td>PRSP</td>
<td>Poverty Reduction Strategy Paper</td>
</tr>
<tr>
<td>RPMG</td>
<td>Regional Poverty Monitoring Group</td>
</tr>
<tr>
<td>SACCO</td>
<td>Savings and Credit Cooperatives</td>
</tr>
<tr>
<td>SAPS</td>
<td>Structural Adjustments Programs</td>
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<tr>
<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
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<tr>
<td>UN</td>
<td>United Nation</td>
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<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
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<tr>
<td>UNIDO</td>
<td>United Nations Industrial Development Organization</td>
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<td>WB</td>
<td>World Bank</td>
</tr>
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</table>
Preface

Poverty is one of the main obstacles in the Kenyan society just like drought, diseases among them malaria and HIV/Aids and conflicts.

Inline with the ILOs Declaration of Philadelphia of 1944 (which concerns the aims and purposes of the Organization), that states, “poverty anywhere constitutes a danger to prosperity everywhere”. Trade unions in Kenya have a role to fight and to address the poverty dilemma as social dialogue institutions, not only to their members but also the communities in which they live.

For the country to sustain fight against poverty, consideration must be given to the presence of institutional arrangements for effective dialogue. It is therefore very important to involve intensively and quite directly those affected by the social and economic transformations i.e. workers and their communities. Trade unions therefore must identify and link their activities to the fight of poverty and then engage in poverty-alleviating activities through promotion of social dialogue, directly by undertaking specific programs and encourage or engage in union-community interface. Therefore apart from their traditional industrial relations tools in their fight against poverty and to improve working conditions for their members, collective bargaining instrument also be used to help alleviate poverty and improve the incomes of members as well as un-members alike.

Alleviating poverty is receiving increasing attention in developing research and policy in Kenya in line with the Millennium Development Goals (MDGs), and Kenya’s own vision 2030 that among other things aims to industrialize the country and alleviate poverty by the year 2030. However the fight against poverty’s association with the labour market has not received
much focuses especially the role of labour relations in Kenya which is the core of the trade unions. Much of the excising literature for example Odhiambo et al. (2003) addresses urban poverty and labour market in the country but does not link or see any role of trade unions.

Others like Mwabu et al (2000) and Oiro et al (2003), Kimalu et al (2002) and Manda et al (2002) does not explicitly address the role of labour relations in the fight of poverty nor the work undertaken by trade unions as a way of fighting poverty neither do they see any need of trade union inclusion in the social dialogue as an important institution.

However, Mwamandzingo et al (2003) gives insights in the connection between trade unions and poverty alleviation in Africa through social dialogue but incase of Kenya he only provides a link between labour market outcomes, gender and poverty.

Pollin et al. (2007) published by UNDP looks at the extend to which the expansion of decent employment opportunity in Kenya has been hindered by the country’s system of industrial relations. This includes regulations concerning hiring, hours of work, and firing. The extent and strength of union power in labour markets and minimum wages standards and suggests that these factors may be playing an important role in holding back employment growth in the private formal sector and thus hinders the fight on poverty through creation of employment. To him poverty can be alleviated through job creation but does not address the plight of millions of Kenyans who are working poor. He says that labour unions may be operating as a significant source of labour market rigidities in Kenya. He therefore suggests that industrial relations system and labour market regulations including Laws and regulations regarding workers rights to organize, conflict resolution, and hiring and firing – operate with more flexibility for business.
But the evidence suggest that this is unlikely to be a significant barrier to the expansion of decent employment. Alby et al(2005) study report that in 2003, 93.6% of firms surveyed in Kenya reported losing zero work days due to strikes and labour unrest.

This thesis therefore seeks to link the industrial relation and the role of trade unions in the fight of poverty in Kenya by showing and understanding the importance of the labour market relations in explaining the incidence of poverty in Kenya. In doing this the thesis will attempt to answer the questions: who are the poor and what causes poverty? How has Kenya fared in the fight of poverty overtime. Is labour relation linked or related to the fight of poverty and or is it a hindrance?

The thesis is divided into Four chapters each with an introduction and a conclusion. In Chapter one, the thesis seeks to understand the meaning of poverty and reviews literature on poverty, causes and the trade union involvement in the fight of poverty and reinstates the Millennium Development Goals(MDG).

In Chapter two the thesis looks at the background information about Kenya in relation to her geographical background, historical economic performance overtime and the prospects as well as the effects of Structural adjustment policies(SAPs) of the World Bank and the International Monetary Fund (IMF) that forced the country into the neoliberal economic order and globalization. In the same chapter, the thesis looks at the demography and issues related to labour market in Kenya as well as the inequality and poverty in Kenya.

In Chapter three, the thesis expounds on the role of labour market relations in Kenya and their link or contribution in the fight of poverty while chapter four is a general conclusion of the thesis.
The thesis is based on a review of literature and collections and analyses of relevant secondary data on poverty. The key secondary sources the thesis reviews apart from as indicated above include the country’s baseline poverty profiles and the Participatory Poverty Assessment (PPA1 and PPA2) study reports.

Based on the general literature and the country’s Participatory Poverty Assessment (PPA) study reports, poverty in Kenya appears to be an economic, sociological, psychological and political phenomenon, which manifests itself in vulnerability, insecurity, isolation, alienation, domination and dependence, material deprivation, denial of freedom of choice, and lack of participation and assets.
CHAPTER ONE:

Kenya: Background Information

1.1 Economic structure

Traditionally, Kenya’s economy was based on farming, herding, hunting, and trade. With the establishment of colonial rule, however, Kenya was brought into the world capitalist economy. Under the British colonial rule, Kenya developed an economy based on the export of agricultural products. The colonial government encouraged the settlement of European farmers in Kenya to provide a greater supply of exports. From World War I (1914-1918) through the mid-1950s, produce grown on settler farms and estates, such as coffee, sisal, and tea, dominated Kenya’s exports. Meanwhile, African households were encouraged to produce commodities for subsistence and for sale in local markets, and to work on European farms producing export crops.

During and after World War II (1939-1945), Kenya’s economy was altered by the initiation of import substitution manufacturing—that is, the production of goods that formerly had to be imported. The 1950s also witnessed an important change in the agricultural sector as the colonial government adopted measures to stimulate greater production by African households, including granting Africans permission to grow high-value export crops.

This helped spur small-scale production over the next two decades, and despite the departure of most European farmers after Kenya gained independence, agricultural exports expanded dramatically. This, together with influxes of foreign capital and technical expertise, made Kenya’s cumulative rate of economic growth—6.8 percent—among the highest in sub-Saharan Africa between 1963 and 1980.

Figure 1.0.1 below shows the Gross Domestic product of Kenya between 1975 to year 2000. Although it increased, it was less than the international Purchasing Power Parity (PPP). Low economic growth rate meant that many people in Kenya were subjected to more years of poverty led further by high rate of unemployment.
Kenya’s booming economy weakened in the 1980s as a consequence of a rising trade deficit, among other factors that included bad governance, drought that was experienced in early 1980s and political instability. During the same period international market for both Coffee and tea industry which to date is the main economic foreign exchange earner for the country declined drastically. Kenya’s slowing economic growth rate and expanding budget deficits caused the government to turn to structural adjustment policies (SAPS) advocated by the International Bank for Reconstruction and Development (World Bank) and the International Monetary Fund (IMF) as part of their economic assistance to Kenya. Nevertheless, the Kenyan government has set the ambitious target of achieving the status of industrialized economy by 2020. In 2006 the gross domestic product (GDP), which measures the value of goods and services produced, was, according to the World Bank $22.8 billion, or about $623.20 per person.

Since the colonial period, Kenya’s government has played a major role in the economy through its ownership of the railways, control of marketing for agricultural products, and establishment of state-owned firms. After Kenya gained independence in 1963, the government issued a series of five-year plans to guide economic development. Since the early 1990s the government has sold many state firms to private individuals and companies in their endeavor to liberalize the economy in conformity with Structural Adjustment policies (SAPS).
In Figure 1.0.2 is the GDP per capita for the period 1985 to 2000, the period in which was characterized by economic liberalization in Kenya, whereby the government was implementing the Structural Adjustment Policies aimed at minimizing the role of the Government in the market. From the fact that GDP per capita in Kenya did not change from 1985 to 2000, then it is very clear that Structural Adjustments policies (or liberalization) as prescribed by World Bank and the IMF were a failure either because of poor implementation as often agued by those in support of liberalization or on the other hand, it could have failed because the economic development level of Kenya was not ready for a totally free market policy and that the government has not set economic systems that could guarantee growth, fair play and the role of Multinationals and Developed Countries in such a small economy.

Kenya’s GDP (per capita?) growth, therefore remained constant less than the rest of Sub-Saharan Africa while the GDP for the world not only was far much higher than that of Sub-Saharan Africa, but also was growing at an increasing rate at the same period.

Figure 1.0.2. GDP per capita, 1985-2000

Source: EarthTrends 2003

As noted Kenya’s economic structure in share of sectors in total value added in 2005 was more agricultural and less industrial sector. Heavy dependence on primary commodities remains a common feature of production, exports and growth. The country’s real GDP growth picked up to 2.9 percent in 2003 and to nearly 6 percent in 2005 and 7% in 2007 (as shown in figure 1.0.3 below), compared with a sluggish 0.5 percent in 2002.
Real GDP was expected to continue to improve, largely because of expansions in tourism, telecommunications, transport, and construction and a recovery in agriculture. However, the growth has stalled due to effects of post election violence after 2007 general elections\(^1\) and the current World financial crisis. GDP composition by sector, according to 2004 estimates, was as follows: agriculture, 25.7 percent; manufacturing, 14.0 percent; trade, restaurants, and hotels, 13.8 percent; transport and communications, 6.9 percent; government services, 15.6 percent; and other, 24.0 percent.

From 2003, the Government adopted a self reliance policy subsequently reducing over reliance on donor funding\(^2\) and aimed at excluding multilateral budgetary support after constant threats of World Bank and IMF to withhold funding over many unfulfilled pledges including the fight against corruption. From the year 2003 to 2007, the real GDP grew from 2.9% annually in 2003 to a 7% annual growth rate in 2007 as indicated in Figure 1.3 bellow.

---
\(^1\)After the General elections that were held on 27\(^{th}\) December 2007, the results were disputed by the main opposition party leader, RailaOdinga who disputed re-election of the President MwaiKibaki. This spackled a wave of violence along tribal lines and resulted to death of over 1000 people and displacement of over 250,000. This damaged the reputation of Kenya otherwise known for political stability. A grand coalition Government was formed with RailaOdinga as the Prime Minister.

\(^2\) Donor funding refers to borrowed money by the Government to meet its budgetary obligation but always attracts hefty interest rate repaid for many years.
Figure: 1.0.3 Kenya real GDP growth 2002-2007

Data Source: Kenya Economic Survey 2007

At the same time of 2003 to 2007 the GDP per capita was increasing with an increasing margin from $1020 to estimated $1600 in 2008 as shown in Figure 1.4 bellow. However, despite the reported GDP growth of 7% in 2007, this did not lead to any significant job creation or increase in the level of employment to a noticeable margin, and also from the Figure bellow, (Figure 1.0.4) the GDP per Capita increased very marginally over time from 2003 to 2007.

Figure 1.0.4 GDP per capita 2003 to 2008

Data source: Kenya Economic Survey 2007
Kenya’s basic unit of currency is the *Kenyan shilling (Ksh)*, consisting of 100 *cents* (72.1 Kenyan shillings equal US$1; 2006 average). An extensive network of commercial banks, both locally and foreign-owned, serves most of Kenya’s urban areas.

Kenya is dependent on foreign trade. Since 1980 the country has usually run a substantial trade deficit with countries outside Africa and a surplus with those in East Africa. In 2004 Kenya’s imports totaled $4.6 billion and its exports totaled $3 billion. Kenya’s imports include industrial raw materials, crude petroleum, and machinery. Exports include tea, coffee, horticultural products, petroleum products, and cement.

The Figure 1.0.5 bellow shows that agriculture alone contributed about 21% to the GDP in the year 2005. Industry sector contributed 19% while service sector that also includes tourism and other sub-sectors contributed 61% to the GDP.

![Figure 1.0.5 Allocation of GDP by sector](image)

Source: *EarthTrends 2003*

In Figure 1.0.6 bellow shows the share of sectors in total value added in the year 2005. Kenya compared to other Sub-Saharan African Countries ranks among the highest that heavily depends on agriculture led by Central African Republic and Guinea Bissau. However Countries with stronger economy like South Africa, Botswana and Angola has a high dependency on industry and service sector with a very minimum dependency on Agriculture.
Compared to other major African economies of South Africa, Nigeria Angola and Botswana, Kenya export composition is not appealing as indicated in Figure 1.0.7 below. WTO data shows that Kenya ranks eighth in Africa in terms of total exports and in terms of sector composition. As noted earlier Kenya lacks mineral and crude oil deposits as is the case in Nigeria and Angola, whose exports is mainly fuels and mining products.
The service sector accounts for 54 percent of Kenya’s GDP. This includes the various services provided by the government and the increasingly important restaurant, hotel, and safari industries, which have grown in response to the increasing number of tourists visiting Kenya.

Tourism in Kenya has expanded dramatically since 1963, and since 1989 it has been the country’s leading source of foreign currency. Tourist arrivals, mainly from Europe and North America, numbered 1,399,000 in 2005. Kenya’s main tourist destinations are the beaches along the Indian Ocean coast; national parks and game reserves, such as Masai Mara Game Park, Tsavo National Park, and Amboseli National Park; and museums and historical sites.

There is a great potential for further development of the tourism industry in Kenya. The development of the tourism sector can provide an important source of employment. It could also bring positive spillover effects in terms of improved transportation, enhanced communications infrastructure, and transfers of technology, knowledge, and managerial skills.
1.2 Demography

The Kenya population as of 2007 was projected to be 36,913,721 up from a projected 2006 population of 36,138,746 a trend that shows a gradual population increase. The table below shows the population change as from year 2004.

Table 1.1 Total population projection 2004-07

<table>
<thead>
<tr>
<th>YEAR</th>
<th>TOTAL POP.</th>
<th>MALE POP</th>
<th>FEMALE POP</th>
<th>SEX RATIO</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>34,179,351</td>
<td>16,713,532</td>
<td>17,465,819</td>
<td>95.7</td>
</tr>
<tr>
<td>2005</td>
<td>35,138,643</td>
<td>17,189,339</td>
<td>17,949,304</td>
<td>95.8</td>
</tr>
<tr>
<td>2006</td>
<td>36,138,746</td>
<td>18,453,583</td>
<td>18,492,734</td>
<td>95.8</td>
</tr>
<tr>
<td>2007</td>
<td>36,913,721</td>
<td>18,492,734</td>
<td>18,420,987</td>
<td>100.4</td>
</tr>
</tbody>
</table>

Data Source: Kenya National Bureau of statistics 2007

The population age structure in 2007 was that there was almost equal number of men and women with a sex ratio of 100.4%. The sex ratio for the years 2004 to 2006 was relatively constant at 95%.

The age structure for the Kenya population was as the table 2.2 bellow whereby between 15 - 64 years accounted for 55.2%, less than 14 years account for 42.1%, and above 65 years account for only 2.6%. This explains the low life expectancy of bellow an average of 55 years.

Table: 1.2 Population age structure 2007

<table>
<thead>
<tr>
<th>Age</th>
<th>%age</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-14</td>
<td>42.1</td>
<td>7,826,804</td>
<td>7,720,456</td>
<td>15,547,260</td>
</tr>
<tr>
<td>15-64</td>
<td>55.2</td>
<td>10,219,575</td>
<td>10,174,922</td>
<td>20,394,497</td>
</tr>
<tr>
<td>65&amp; Over</td>
<td>2.6</td>
<td>446,355</td>
<td>525,609</td>
<td>971,964</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>18,492,734</td>
<td>18,420,987</td>
<td>36,913,721</td>
</tr>
</tbody>
</table>

Source: Kenya Bureau of statistics 2007

The table further indicates that the young generation population is far larger than the aged generation of above 65 years. The pyramid below (Figure 1.0.8) indicates that the Kenya population is composed mainly of the young people a common behavior in developing Countries because mortality rates are high and a high fertility rate. The population declines with increase in age in Kenya can be attributed to different factors, for example the sharp
decline of the population of children from the category of 0-4 years and the age group of 5 -9 is attributed to high cases of malaria while between 20 years and 34 has been attributed to the high cases of HIV/Aids and accidents.

Figure 1.0.8 Kenya´s Population pyramid

Data Source: Kenya Bureau of statistics 2007

The 42.1% of the population aged bellow 15 years and that above 65 years \(^3\) are 2.6% depends on the economically active population of between 15years and 64 years which is 55.2% of the total population. As such the dependency ratio is about 81%.

The life expectancy was estimate to be 55.31 years for the total population as for the year 2007 compared to the average of 64.77 years \(^4\) life expectancy for the world population. Male life expectancy in Kenya was estimated to be 55.24 years lower than world male life expectancy of 63.16. Female life expectancy in Kenya is 55.37 also lower than the world female life expectancy of 66.47 years.

---

\(^3\)This explains the low life expectancy of averaged 55 years as will be shown herein latter far bellow the average world life expectancy of 64years according to US Bureau of statistics.

\(^4\)US bureau of statistics international websites.
The Kenya's life expectancy is lower due to a high HIV/AIDS prevalence rate and thus it’s projected that infected persons in Kenya live at list for ten years with the decease before succumbing to the virus. The decease is most prevalence to persons of ages 18-49 years. Other factors for low life expectancy include poverty, thus a high level of malnourished, frequent droughts in the country, malaria, accidents and inadequate health facilities. However the life expectancy is an improvement from previous years of 49.3 years for the total population.

Kenya's fertility is 4.82 children born per woman as per 2007 estimates meaning that every woman in Kenya would give birth to 4.8 children over her life time if she would experience the exact current age-specific fertility rates through her lifetime, or if she were to survive from birth to the end of her reproductive life. Kenya's total fertility rate for the year 2004 was 3.31 while GDP for that year was 1100.

Neonatal mortality rate is 28.4 while infant mortality rate has dropped from 78 in 2001 to 57.44 in 2007 for total population and 60.44 for male and 54.38 per 1000. This has been due to provision of free mosquito nets to guard against malaria the number one killer of babies in Kenya.

The Table 2.3 bellow is a demographic summary of Kenya in relation to life expectancy, fertility rate, birth and infant mortality rate in comparison with world figures whereby Kenya is bellow world averages. As stated, due to a high infant mortality rate in Kenya at 57.44 deaths per 1000, life expectancy is low at only 55.31. It therefore follows that to increase the life expectancy there should be measures to reduce the infant mortality.

---

5Kenya like other African Countries has a high HIV/AIDS prevalence that was 14% in 2000, but though it has gone down to 5.6 in 2007, the decease remains a big threat to majority of the population especially those of the age between 18 to 49. Data source KBS.
Table 1.3 Demographic summary

<table>
<thead>
<tr>
<th>Descriptions</th>
<th>Male</th>
<th>Female</th>
<th>Total Population</th>
<th>Global status (averages)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life Expectancy</td>
<td>55.24</td>
<td>55.37</td>
<td>55.31</td>
<td>64.77</td>
</tr>
<tr>
<td>Fertility</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Children born Per Woman</td>
<td></td>
<td>4.82</td>
<td>2.59</td>
<td></td>
</tr>
<tr>
<td>Births per 1000 population 2007</td>
<td></td>
<td>38.94</td>
<td>20.05</td>
<td></td>
</tr>
<tr>
<td>Deaths Per 1000 population 2007</td>
<td></td>
<td>10.95</td>
<td>8.67</td>
<td></td>
</tr>
<tr>
<td>Infants mortality Per 1000 live births</td>
<td>60.44</td>
<td>54.38</td>
<td>57.44</td>
<td></td>
</tr>
</tbody>
</table>

Source: Science World Guide

1.3 RELATED TO INCOME, INEQUALITY AND POVERTY

Kenya like many other developing Countries has experienced rapid urbanization in the last few years. While the natural growth of population has been the major contributor to urbanization, migration from rural areas to urban centers has been the major factor. Rapid urbanization in Kenya is associated with a number of development challenges. Key among the challenges is the deterioration in urban physical environments and the general living conditions. A large and increasing number of the urban population in Kenya is living in overcrowded and unsanitary slums and squatters settlements which often do not have access to basic infrastructure and services. The rise in squatter settlements and slums in urban centers is a source of great concern.

Inequality as the degree to which distribution of economic welfare generated in an economy differs from that of equal shares among its inhabitants. Inequality also entails the unevenness of certain attributes between two persons or groups of people. It is therefore typically thought of as the difference between individuals within a population, normally a country or it can also be considered for smaller populations (such as a community or household) or larger populations (such as the world as a whole).

According to SID(2004) inequality and poverty are not just the result of lack of economic development: rather, economic growth is a necessary but not a sufficient condition for
poverty eradication. Without a conscious attention paid to issues of equity in public policy, rapid economic growth can easily marginalize certain sections of society and exacerbate poverty for others. It is important to note that growth requires consumption and poor people use to be bad consumers.

The definition of inequality focuses on differences between individuals both in terms of opportunities and outcomes. While discussions mainly focus on the more easily observed inequalities in outcomes such as wealth, employment and education, it is important to understand the factors and processes behind this. Some inequality in outcomes can be accounted for by the normal functioning of the market economy, which determines, for example, participation in the labour market. However, a substantial component of inequality in people’s circumstances may reflect differences in opportunities, with people favored or disfavored according to where they live, parental circumstances, gender, among others. In many countries one also observes inequalities in terms of social exclusion and the inability of certain population groups to access key social services and socio-political rights. These inequalities may arise on the basis of population groups, gender, geographical location and even race.

Though related, inequality and poverty are different. Inequality concerns variations in standards of living across a whole population. By contrast, poverty focuses only on those whose standards of living fall below a given threshold, commonly referred to as the poverty line. Even among the poor inequalities can exist where there are the very poor (those who are way below the poverty line) and the least poor (those who are just below the poverty line). The poverty threshold may be in absolute terms (absolute poverty) or relative terms (relative poverty). Of the two measures of poverty, relative poverty comes closest to inequality.

Statistics for Kenya show that income is heavily skewed in favor of the rich against the poor. The country's top 10% households control 42.72% of the total income, while the bottom 10% control less than 1% as shown in the table below. This means that for every 76 cents earned by the bottom poor 10% the top rich 10% earn 42 shillings (US$ 0.55). Put in another way,
for every one Kenya Shilling\(^6\)(US$ 0.013) earned by the 10% poorest household, the richest 10% earn more than Kshs 56(US$0.74).

\(^6\)Note that throughout this thesis, the exchange rate of Ksh 76 per one US dollar (US$ 1) will be used but the exchange rate has been fluctuating between Ksh 63 to Ksh 79 per dollar. A shilling is divided into 100cents (units) that might not make sense converted into dollars. Also consume more. As such therefore the upper 10% docile also consume or spend about 45% of the total expenditure.

Figure 1.0.9 Income and Expenditure Inequality in Kenya

Data Source: Pulling apart, facts and figures Society for International Development 2004

According to SID(2004)\(^6\) estimates of the gini coefficient for Kenya show that inequality has been increasing in the country particularly between 1994 and 1999. This was after a slight decrease between 1992 and 1994. Based on the available household surveys, the country’s gini was estimated at 0.57 in 1999, compared to 0.49 in 1997. The gini coefficient was estimated as 0.45 in 1994. Kenya exhibits higher inequalities as the gini coefficient calculated on per capita incomes stand at 0.625, as opposed to gini coefficient of 0.57 based on general household income. However, following the intense fight against corruption in Kenya and change of political dispensation in 2002, the gini index has since 2003 gone down to 0.42.
Likewise for 86 cents spent by the bottom 10% poor the rich spend more than Ksh 44 (US$0.58). This means that for every shilling spent by the poorest 10% in Kenya, the rich 10% spend about Kshs 52(US$ 0.68). It is also significant that the 8th, 9th and 10th income groups account for about 70% of the income and expenditure as shown in Table 2.4 below.

Table 1.4: Household expenditure and income distribution by decile 1999 (you can improve the format of this table. Just one decimal).

<table>
<thead>
<tr>
<th></th>
<th>Income % share</th>
<th>cumulative</th>
<th>Expenditure % share</th>
<th>cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lowest</td>
<td>0.76</td>
<td>0.76</td>
<td>0.86</td>
<td>0.86</td>
</tr>
<tr>
<td>second</td>
<td>1.75</td>
<td>2.51</td>
<td>1.58</td>
<td>2.44</td>
</tr>
<tr>
<td>third</td>
<td>2.72</td>
<td>5.23</td>
<td>3.43</td>
<td>5.86</td>
</tr>
<tr>
<td>fourth</td>
<td>3.83</td>
<td>9.06</td>
<td>3.2</td>
<td>9.06</td>
</tr>
<tr>
<td>fifth</td>
<td>5.05</td>
<td>14.11</td>
<td>4.55</td>
<td>13.61</td>
</tr>
<tr>
<td>sixth</td>
<td>6.58</td>
<td>20.7</td>
<td>6.31</td>
<td>19.92</td>
</tr>
<tr>
<td>seventh</td>
<td>8.52</td>
<td>29.22</td>
<td>8.97</td>
<td>28.89</td>
</tr>
<tr>
<td>eighth</td>
<td>11.61</td>
<td>40.83</td>
<td>10.11</td>
<td>39.00</td>
</tr>
<tr>
<td>ninth</td>
<td>16.46</td>
<td>57.28</td>
<td>16.35</td>
<td>55.35</td>
</tr>
<tr>
<td>highest</td>
<td>42.72</td>
<td>100.00</td>
<td>44.65</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: Pulling apart, facts and figures Society for international Development 2004

In Kenya both income and expenditure inequalities are the same as indicated in Figure 2.9 below. This is because for those who earn less they also consume less and those that earn more development report of 2007/2008, the level of inequality in Kenya is higher than in Tanzania at 0.37 but lower than in Uganda at 0.46 and Rwanda at 0.67 and even Nigeria at 0.44.
In Kenya’s context, it’s important in analyzing inequality to look at the same in both rural against the urban areas. Generally speaking, there is more inequality in urban areas than in rural areas in both incomes received and consumption expenditure.

On poverty, incidences of poverty in Kenya since 1992 has been cyclical, ranging from 40 to 53% whereby it was lowest in 1994 at 40.3% and highest in 1997 at 52.3% as shown in Figure 1.1 bellow. This clearly shows that Kenya is a poor country and was ranked by the UNDP at position 155 in the world out of 177 Countries with data in 2005.

The poverty level has been affected and determined by different levels of national development and government policies to create more jobs for the young people whose age
As discussed earlier in chapter 1, different factors contribute to the high level of poverty in Kenya that is grappling in the web of poverty which includes material poverty, physical ill being, insecurities, places of the poor or slums, seasonal dimensions and poverty of time, institutions and access, lack of education/ capabilities and lack of information, lack of political clout, ascribed and legal inferiority as well as social relations.

In terms of gender, there are more female poor than male in both Kenya’s rural and urban. In urban, the poverty ratio is almost two to one, men being about 24% while women are about 46% but in the rural areas the ratio is almost one to one as indicated in Figure 1.2 below. A possible is that, in urban areas more women are housewives while in rural areas both men and women engage in farming related income generating activities and thus a near even poverty ratio. In urban areas comprises of mainly the educated people in the society while the uneducated mainly remain in the rural areas.

Figure 1.2 Gender poverty incidence in rural and urban

![Gender Poverty Incidence](image)

Data source: Kenya Economic Survey 2007

### 1.4 RELATED TO HUMAN DEVELOPMENT

Human Development Index (HDI) provides a broadened prism for viewing human progress and the complex relationship between income and well-being. According to UNDP the HDI for Kenya is 0.521, which gives the country a rank of 148th out of 177 countries with data.
Table 2.6 below is a comparison between Kenya and several Countries in the world. Under each column, every cell starts with a number, for example under HDI value, Iceland is ranked as the country with the highest HDI in the world with 0.968 while Sierra Leone is ranked last as number177 with HDI of 0.336.

Kenya's life expectancy at birth according to UNDP (2005) is 52.1, placed at position 152 in the world and thus among the Countries that have low life expectancy. However the Kenya has a higher Life expectancy at birth than other countries like neighboring Ethiopia, Namibia and Zambia which has Life expectancy of 51.8, 51.6, and 40.5 years respectively. But Kenya fairs badly compared to Developed countries like Japan which has life expectancy of 82.3 years at birth. It is relatively equal but lower than Djibouti and Mali with 53.9 and 53.1 respectively.

In regard to the adult literacy rate in Kenya, 73.6% of population above 15 years of age knows how to read and write and was placed by UNDP at position 98 in the word's literacy rate, more than Egypt's 71.4% at position 100 in the world. But again Kenya fairs badly compared to a country like Georgia who has 100% literacy rate at position one in the world.

A combined primary, secondary, and tertiary gross enrolment ratio Kenya has a 60.5% and again was placed at position 129 in the world by UNDP while Australia with a 113% at position one in the world. In Kenya's case it means that about 40% either do not attain education and thus falls under the illiterate category or attain informal education.
Table 1.5 Kenya’s human development index 2005 (you can improve the format of this table)

<table>
<thead>
<tr>
<th>HDI Value</th>
<th>Life expectancy (years)</th>
<th>Adult literacy Rate (%s ages 15 and older)</th>
<th>Combined primary, Sec, &amp; Tertiary gross enrolment ratio %</th>
<th>GDP per capita (PPP US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Iceland 0.968</td>
<td>1. Japan 82.3</td>
<td>1. Georgia 100</td>
<td>1. Australia 113.0</td>
<td>1. Luxembourg 60,2228</td>
</tr>
<tr>
<td>146. Haiti 0.529</td>
<td>150. Djibouti 53.9</td>
<td>96. Tunisia 74.3</td>
<td>127. Cameroon 62.3</td>
<td>153. Congo 1262</td>
</tr>
<tr>
<td>148. Kenya 0.521</td>
<td>152. Kenya 52.1</td>
<td>98. Kenya 73.6</td>
<td>129 Kenya 60.6</td>
<td>155.Kenya 1260</td>
</tr>
<tr>
<td>149. Djibouti 0.516</td>
<td>153. Ethiopia 51.8</td>
<td>99. Cambodia 73.6</td>
<td>130. Zambia 60.5</td>
<td>156. Central Afr. Republic 1224</td>
</tr>
<tr>
<td>150. E. Timor 0.514</td>
<td>154. Namibia 51.6</td>
<td>100.Egypt 71.4</td>
<td>131.Cambodia 60.0</td>
<td>157 Burkina Faso 1213</td>
</tr>
</tbody>
</table>

Source: UNDP Human Development areport 2007/2008

The Figure 1.3 bellow is an evolution of the HDI in Kenya since 1975 when it was about 0.47 above the average of Sub Saharan Africa of 0.4 and South Asia of about 0.44 but less than East Asia and Latin America. Of interest is that while the HDI averages of other regions as indicated were increasing, Kenya increased with an increasing margin up to 1980 to about 0.52, (Table 2.5) then up to 1990 it’s HDI increased with a decreasing margin to reach about 0.56 only to decrease there after to 0.521 by the year 2005.

The poor governance, corruption and HIV/Aids infection, poor living standards, malnutrition, recurrent droughts in most parts of the Country and rapid population increase/growth are some of the reasons for the drop in HDI.
Figure 1.3 Kenya’s HDI in relation to other regions

Figure 1.4 indicates and compares the level of HDI with the GPD per capita of Kenya and shows that the HDI does not necessarily result from a high per capita. While a country like Madagascar has a high level of HDI than Kenya, Kenya has a higher GDP per capita than Madagascar.

Inequality is directly linked to poverty and also indirectly through growth. Changes in the income distribution can affect the level of poverty. This is because a change in income distribution in favor of the poor can leave them with more resources. In general, policies and growth patterns that improve distribution are potentially significant tools in the fight against poverty.

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7Other factors include life expectancy, population income distribution, school enrolment level in both primary, secondary and tertiary institutions.
1.5 RELATED TO LABOUR FORCE

According to KILM data for Kenya, the total population of persons aged 15 years and above in 2006 was slightly above 22.2 million. Out the said population 78% comprise of the labour force i.e. both employed and unemployed. From Table 2.7 below, labour force comprise of about 5.6 million being between the ages of 15 – 24 or 32.8% of the total labour force in Kenya while those above 65 years form 2.9% of the total labour force.

Among the age group population, those between the ages of 25 –34 has the highest percentage of labour force over the same age group at 88% while those at 15 –24 and 44 – 54 has the least at 70% each group respectively.78% of the population aged above 15 years forms the labour force in Kenya.
Table 1.6 Labour force of Kenya per age group (put commas in thousands)

<table>
<thead>
<tr>
<th>Age</th>
<th>Population '000</th>
<th>Labour Force (LF) '000</th>
<th>% of age group LF to total LF</th>
<th>% of LF/ age Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-24</td>
<td>8,045</td>
<td>5,663</td>
<td>32.8</td>
<td>70</td>
</tr>
<tr>
<td>25-34</td>
<td>5,414</td>
<td>4,779</td>
<td>27.8</td>
<td>88</td>
</tr>
<tr>
<td>35-44</td>
<td>4,366</td>
<td>3,757</td>
<td>21.8</td>
<td>86</td>
</tr>
<tr>
<td>44-54</td>
<td>2,248</td>
<td>1,570</td>
<td>9.1</td>
<td>70</td>
</tr>
<tr>
<td>55-64</td>
<td>1,146</td>
<td>933</td>
<td>5.4</td>
<td>81</td>
</tr>
<tr>
<td>65+</td>
<td>973</td>
<td>507</td>
<td>2.9</td>
<td>82</td>
</tr>
<tr>
<td>Totals</td>
<td>22,219</td>
<td>17,225</td>
<td></td>
<td>78</td>
</tr>
</tbody>
</table>

Source of Data: ilo KILM 2006

Figure 1.5 below compares the population in each age group with its respective labour force. The age of 15-24 has a higher labour force even than the population of those between 25-34 years. At the same age set there are also the highest population not included in the labour force i.e. the inactive population. The figure therefore shows that people at the ages of 15-24 are more vulnerable not only to joblessness but also to inactivity. As age progresses, the gap between the population and the labour force also became less. According to US bureau of statistics, Kenya’s unemployment rate in 2006 was about 10%. However different sources quote different rate of unemployment ranging from 14% to 23% but according to KILM data for Kenya, unemployment rate in 1999 was 9.8%.

Figure 1.5 Labour force in relation to Population

Data Source: ILO KILM

The private sector in Kenya plays a very significance role in economic development and employs the majority of the workforce while the public sector employs about 600,000 employees as indicated in Table 2.8 below. In 2003, the public sector employed about 0.601million workers while the private sector employed about 10.1million workers and same
number increased to 10.9, 11.8, 12.0, and 12.8 million in the years 2004, 2005, 2006 and 2007 respectively. At the same period the level of employment in the public sector grew minimally to 0.609, 0.620, 0.649 and 0.625 in 2004, 2005, 2006 and 2007 respectively. The increase or the changes in the level of employment can be attributed to the economic growth at the same period as indicated in Figure 2.3 earlier which indicated that Real GDP grew at the same period from 2.9% annually to 7% in 2007.

Table 1.7  Employment in public and Private sectors

<table>
<thead>
<tr>
<th>Year</th>
<th>Private sector '000</th>
<th>Public sector '000</th>
<th>Totals '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>10100</td>
<td>601</td>
<td>10701</td>
</tr>
<tr>
<td>2004</td>
<td>10900</td>
<td>609</td>
<td>11509</td>
</tr>
<tr>
<td>2005</td>
<td>11800</td>
<td>620</td>
<td>12420</td>
</tr>
<tr>
<td>2006</td>
<td>12090</td>
<td>649</td>
<td>12739</td>
</tr>
<tr>
<td>2007</td>
<td>12810</td>
<td>625</td>
<td>13435</td>
</tr>
</tbody>
</table>

Data Source: Kenya Bureau of Statistics 2008

The problem in Kenya like many other developing countries is not so much unemployment but rather the lack of decent and productive work, which results in various forms of labour underutilization (i.e. underemployment, low income and low productivity). A useful purpose served by the unemployment rate in Kenya, when available on at least an annual basis, is the tracking of business cycles. When the rate is high, the country may be in recession (or worse), economic conditions may be bad, or the country somehow unable to provide jobs for the available workers. The goal, then, should be to introduce policies and measures to bring the incidence of unemployment down to a more acceptable level.
1.6 CONCLUSION

From the above analysis one can conclude that Kenya population has grown progressively by 2.8% to over 36 million dispute a high infant mortality rate of 57 (?). There is a high dependency ration of 81% meaning that the population of those bellow 15 years and that above 65 years is above 81% of the population between 15 years and 64 years.

Kenya has a fertility rate of about 38 per 10000 and a Life expectancy of 55 years that is far below the world’s average of 63 years. This is because of poor or lack of medical facilities, high prevalence of HIV and constant outbreak of malaria which also is the main cause under five years death as well as child mortality, drought and illiteracy making large part of population mainly in the rural areas to resort to traditional believes and methods of cures.

Kenya is among the unequal society with a gini coefficient of 0.42 as at 2008, down from 0.57 in 1999 and 0.44 in 1997. The countries top 10 house hold controls about 42% of the countries resources and income while the lowest 10% controls only 0.76%. This is occasioned by rampant corruption in both the public and Private sector as well as poor governance of patronage and tribalism.

In relation to Human development index, Kenya is ranked at position 148 in the world with an index of 0.52. It compares fairly at adult literacy rate at position 98 in the world with a 73.6% of people above 15 years old having ability to read and write.

Labour force is composed of 70% male and 30% female in relation to wage employment. In average above 70% of each age set constitute the labour force, with those between 15 and 24 being the highest labour force given that this group also has highest population.
CHAPTER TWO:

POVERTY

2.1. Introduction

Poverty is deprivation or lack of those things that determine the quality of life, including food, clothing, shelter and safe drinking water, but also “intangibles” such as the opportunity to learn and to enjoy the respect of fellow citizens. Ongoing debates over causes, effects and best ways to measure poverty, directly influence the design and implementation of poverty-reduction programs and are therefore relevant to the fields of international development and public administration.

The persistence of poverty worldwide remains a major concern of the 21st century. According to the UN (2005), years after the millennium summit where the objectives of the Millennium Development goals (MDGs) were reached, more than 1 billion people still struggle to survive on less than $1 a day. From that, ILO (2003) reports that roughly 550 million people are working, but cannot walk their way out of extreme poverty. They simply do not earn enough to feed themselves leave alone being able to deal with the economic risks and uncertainty they face.

Today the World Bank tends to explain that poverty arises in countries as a result of the institutions they lack but disregards the important connections between mode of production, technology and institutions. Market for instance is one of the institutions enabled to function and yet restrained by a number of formal and informal rules.

This chapter will be defining poverty in its different perspectives and show that the meaning and scope of poverty depends on different approaches as explained by the International poverty Centre of UNDP that the meaning of poverty depends on who asks and who answers. This chapter will also be looking at the Millenium Development Goals (MDGs) whose aim is to spur development by improving social and economic conditions in the world's poorest countries while Trade Unions aim is to improve the social and economic condition of workers. This correlation is better stated by the Declaration concerning the aims and purpose of the International Labour Organisation, Philadelphia in 1944 that stated “poverty anywhere constitutes a danger to prosperity everywhere”.

In understanding poverty, it's important to explain the causes of poverty but in the Kenyan context that may not necessarily be the same in other parts of the world and or even in different parts of the same country for example the rural areas vs urban areas.

It will also be an attempt to explain the poverty line in Kenya against the international poverty line of one US dollar a day and finally the chapter will be creating a link between the labour incomes and poverty whereby even the majority of workers still are classified as working poor in Kenya because the wages they earn can be categorised as under the official poverty line.

2.2 Millennium Development Goals (MDG) Restatement

In 2001, recognizing the need to assist impoverished nations more aggressively, UN member states adopted the targets. The MDGs aim to spur development by improving social and economic conditions in the world's poorest countries.

They derive from earlier international development targets, and were officially established at the Milliumsummit in 2000, where all world leaders present adopted the United Nations Millenium Declaration, from which the eight goals were particularly promoted.

The Millennium Development Goals (MDGs) were developed out of the eight chapters of the United Nations Millenium Declaration, signed in September 2000. The eight goals and 21 targets include

1. **Eradicate extreme poverty and hunger**
   - Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day.
   - Achieve full and productive employment and decent work for all, including women and young people.
• Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

2. **Achieve universal primary education**

• Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

3. **Promote gender equality and empower women**

• Eliminate gender disparity in primary and secondary education preferably by 2005, and at all levels by 2015.

4. **Reduce child mortality**

• Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.

5. **Improve maternal health**

• Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio.

• Achieve, by 2015, universal access to reproductive health.

6. **Combat HIV/AIDS, malaria, and other diseases**

• Have halted by 2015 and begun to reverse the spread of HIV/AIDS.

• Achieve, by 2010, universal access to treatment for HIV/AIDS for all those who need it.

• Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases.

7. **Ensure environmental sustainability**

• Integrate the principles of sustainable development into country policies and programmes; reverse loss of environmental resources.
• Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss.
• Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation (for more information see the entry on water supply).
• By 2020, to have achieved a significant improvement in the lives of at least 100 million slum-dwellers.

8. **Develop a global partnership for development**

• Develop further an open trading and financial system that is rule-based, predictable and non-discriminatory. Includes a commitment to good governance, development and poverty reduction—nationally and internationally.
• Address the special needs of the least developed countries. This includes tariff and quota free access for their exports; enhanced programme of debt relief for heavily indebted poor countries; and cancellation of official bilateral debt; and more generous official development assistant for countries committed to poverty reduction.
• Address the special needs of landlocked and small island developing States.
• Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term.
• In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries.
• In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.

It is clear that all the millennium development goals are geared towards tackling poverty in the world. Therefore all Nations were expected to work towards achieving the goals for their people.
2.3 Different meaning of poverty

According to Chambers(2006)\(^8\) the meaning of poverty depends on what it is taken to mean and depends on who asks the question, how it is understood, and who responds. From this perspective, he discusses four clusters of meanings.

\(^{8}\) Robert Chambers in an article in the International Poverty Centre’s (IPC of UNDP) “poverty in focus issue of December 2006.

i) A fourth cluster takes a yet more broadly multi-dimensional view of deprivation, with material lack or want as only one of several mutually reinforcing dimensions.

The four clusters of the meanings of poverty, according to Chambers, have all been constructed by “us”, by development professionals. They are expressions of “our” education, training, mindsets, experiences and reflections. They reflect our power, as non-poor people, to make definitions according to our perceptions. And the primacy we accord to poverty alleviation, reduction or elimination implies that these meanings that we give are fundamental to what development should be about.

Poverty therefore has twelve dimensions, each one potentially having an impact on all of the others, and vice versa, thus emphasising the interdependence of the dimensions of poverty as indicated in Figure 2.0 bellow. The web of poverty is an interalation of what constitutes poverty and includes material poverty, physical illbeing, insecurities, places of the poor, seasonal dimentosions and poverty of time, institutions and access, lack of education/ capabilities and lack of information, lack of political clout, ascribed and legal inferiority as well as social relations.
These dimensions are all abstractions, to varying degrees reductionist, based on elite’s analysis and views. They tend to overlook and ignore the analysis and views of the objects of the definition and description that is “the poor”, that is people who are in a bad condition variously described as poor, marginalised, vulnerable, excluded or deprived. There is then a fifth cluster, which is the multiplicity of their meanings. There were many poverties or deprivations. Dimensions of the bad life includes not only income-poverty and material lack, but many others, some of them represented in the web of poverty’s disadvantages in the figure above, for example poverty of time, living and working in bad places – “the places of the poor” and bad social, especially gender, relations. Others are the body as the main asset of many poor people, indivisible, uninsured, and vulnerable to flipping from asset to liability; many aspects of insecurity, worry and anxiety; and pervasively powerlessness.

The many ideas of wellbeing and the good life to which people aspire has striking commonalities – material wellbeing, having enough; bodily wellbeing, being and appearing well; many aspects of social wellbeing including being able to settle children, and
being able to help others; security; and freedom of choice and action. Both these commonalities and local differences make a case for changes in different places, concepts and measures in development.

According to Ayako & Katumanga (1997), in Kenya the poor are unable to realize their economic citizenship. As a result of this, their existential conditions are characterized by want and deprivation. The therefore lack of land, livestock, and farm equipment, cannot bury their dead decently, have many mouths to feed, and suffer from acute vices (such as alcoholism), poor housing, child labour, food insecurity and insecurity in general.

In summary, the word poverty should be seen beyond the economic preoccupation with income and consumption; it should encompass the state of being income poor, lack of physical necessities, assets and income (Chambers, 1983). Thus, poverty includes political marginalization and psychological instability that is caused by systemic factors, such as politically instigated violence, which in turn generate humiliation. In its common usage, poverty connotes a whole spectrum of deprivation.

Deprivation means a lack of what is needed in order to lead a meaningful life (Chambers, R., 1994). It comprises vulnerability, powerlessness, physical weakness, isolation, seasonality, humiliation, and social inferiority.

Vulnerability is exemplified by victims’ insecurity, their exposure to risks at the external level, their lack of coping mechanisms at the internal level and their inability to defend themselves. Powerlessness refers to the distance between the victims and the nearest available resources, and sources of work and income. It manifests itself in the victims’ inability to organise, advocate, and bargain for interests. The result of this manifestation are impaired capacity to influence equity and marginalization by dominant social forces.

Physical weakness is evident in breadwinners’ sickness, disability, and economic incapacitation (Evans, 1989). Geographical seclusion, lack of social and economical services, poor infrastructure, health care and education services, and inadequate information and marketing systems are attributes of isolation. Seasonality is characterized by periodical want of income to facilitate the payment of fees and the acquisition of food. A combination of the
Poverty alleviation requires social development and good governance with a view to improve the quality of life and minimize suffering and deprivation. In order to roll back poverty, therefore, there is need for a form of social development which emphasizes individual and community autonomy within an integrated, equitable and just society. This said, no universally accepted single index incorporating all the dimensions of poverty exists. Existing indices are based on a single manifestation or a few manifestations of poverty. Foster, Greer and Thorbecke (1984) developed a more popular indicator of the degree of poverty, the FGT measure despite its weakness.

The measure not only reflects the conventional dimensions of poverty i.e. incidence, depth, and severity, but also is decomposable among sectors, socio-economic groups and consumption items. Under the measure, the incidence of poverty is measured by headcount ratio. The ratio, an index of absolute poverty, gives the proportion of the population whose income or consumption falls below an objectively defined level which is considered necessary to meet per capita minimum nutritional requirements. The depth of poverty is measured by the poverty gap ratio. The ratio gives the proportional shortfall of the average poor person from the poverty line and estimates the resources that would bring the expenditure of every poor person to the poverty line, thereby eliminating absolute poverty. The severity of poverty is measured by the coefficient of variation of expenditure distribution of the poor and reflects the degree of inequality among the poor.

A country’s poverty profile, a basic analytical foundation for sustained poverty-reducing efforts and a vehicle for dialogue between governments and donors on poverty issues, provides:
i) *Income-poverty* or its common proxy (because less unreliable to measure) consumption-poverty. He argues that when many, especially economists, use the word poverty they are referring to these measures. Poverty is therefore what can be and has been measured, and measurement and comparisons provide endless scope for debate.

ii) *Material lack or want*. Besides income, this includes lack of or little wealth and lack or low quality of other assets such as shelter, clothing, furniture, personal means of transport, radios or television, and so on. This also tends to include no or poor access to services.

- comprehensive data on the degree, that is, incidence, depth and severity, of poverty;
- socio-economic groups and characteristics of the poor;
- sources of income of the poor;
- constraints of the poor; institutions of the poor; and
- spatial distribution of the poor.

Poverty also afflicts the working class whereby workers although employed and working still live under the poverty line with attributes of poverty as discussed above being manifest among majority of workers. Working poor is a term used to describe individuals and families who maintain regular employment but remain in relative poverty due to low levels of pay and dependent expenses. The working poor are often distinguished from paupers, poor who are supported by government aid or charity. Given on a global scale, the definition and requisites to be considered impoverished or in poverty may sharply contrast the conditions of any one specific country or region as mentioned earlier. When viewed at a high level, the global definitions of poverty are typically much lower than that of more prosperous countries. In areas such as the United States, England, France and other more prosperous nations, the poverty line is much higher than that of countries with typically lower economic conditions. When considering localized differences, such as in the United States, differences in market rates of goods and services may impact the effects of poverty.

In the USA and Canada a person is a working poor depending on her revenues compared to an absolute poverty level. Officially, in the United States, the working poor are defined as individuals who spent at least 27 weeks in the labor force (working or looking for work), but
iii) *Capability deprivation*, these meanings is derived from Amartya Sen, and is referring to what we can or cannot do, can or cannot be. This includes but goes beyond material lack or want to include human capabilities, for example skills and physical abilities, and also self-respect in society.

iv) whose incomes fell below the official poverty level. Often, those defined as "working poor" have negative net worth and lack the ability to escape personal and economic contingencies.

v) Workers without marketable skills mostly face low wages, potential economic exploitation, unpleasant working conditions, and few opportunities to attain skills that would allow them to escape their personal and economic situations. Unexpected costs (such as medical or repair costs) can substantially decrease the economic ability of the working poor to manage their lives.

vi) In some cases, members of the working poor work at multiple part-time jobs, which require nearly full-time commitment but are classified as "part time", or “casuals”. In this situation some benefits, like medical insurance, housing, transport to and from work, etc are not paid by employers. This situation is sometimes referred to as precarious employment. These workers are more often than not without adequate (or in many cases *any*) health insurance.

vii) A common expression of working poor conditions in Kenya states that such individuals often live from "hand to mouth". Many people might be qualified but there lacks meaningful opportunities and thus they resort to any work available albeit to survive. Due to population pressure and lack or low economic growth that does not measure with the population increase, exploitation of the majority by the few leads to a high number of working poor. In Kenya therefore simply having access to employment is and may not be sufficient to qualify one out of poverty circle.

viii) Many employed Kenyans do not earn enough to lift their families out of poverty to a better living standard. According to World Bank, 1.2 billion people live in extreme poverty around the globe, surviving on less than US$1 a day while half of Kenyan population are among those living with less than US$ 1 per day and thus most of those working falls into this category.

ix) The figure 2.1 bellow is the share of the global working poor at US$ 1 and US$2 a day in total employment, 1990-2015 projections and indicates that
with commitments the goal on halving the number of people living on less than a dollar a day and two dollars can be achieved.

x) Figure 2.1 Share of global working poor at US$1 and US$2 a day in total employment, 1990-2015

![Share of global working poor at US$1 and US$2 a day in total employment, 1990-2015](image)

xi) Source: Key Indicators of Labour Market (KILM)

xii) Source: Key Indicators of Labour Market (KILM)

2.4. Poverty measurement in Kenya’s context.

This will be to expound on the World Banks one dollar measurement of Poverty line in relation to Kenya’s case and then look at Kenya’s purchasing power parity measurement as the alternative and better means of measuring poverty and drawing poverty line for Kenya rather than the one dollar poverty line.

World Bank divides world economies into four: lower, lower middle income, upper middle income and high income. Lower income countries are those whose gross national income (GNI) per capita is $765 and below, lower middle income have GNI per capita between $766 and $3,035, upper middle income are between $3,036 and $9,385, and upper income are those over $9,385. Is Kenya able to pull itself from its current GNI per capita of $580 to $3,036 by 2030.

It is projected that by 2030, with its current population growth rate of 2.6 per cent, Kenya’s population will be around 65 million. To have a per capita of $3,036 in 2030, according to
Pollin et al (2007) Kenya ought to have developed her economy to have a GNI of $197 billion. Her GNI in 2007 was $18.7 billion.

Global poverty counts based on $1 a day are virtually meaningless. They are neither based on a common ‘poverty consumption’ bundle of goods and services nor apply conversion factors with commodity weights and prices that reflect the consumption basket of the poor. By which definition should we measure poverty in the world as a whole? The first MDG is implicitly saying that we should start with the definition found in the poorest countries, and give priority to bringing everyone in the world up to that standard. Once that is (hopefully) done, we can move to the task of bringing everyone up to the level of living needed to escape poverty in Latin America for example, by Latin American standards. Definitely its along way to go.

Poverty lines define, in monetary terms, the minimum subsistence requirements for households of different size and composition. A household is defined as poor if its per capita consumption is less than its per capita total poverty line. The total poverty line is defined as the sum of the food and non-food poverty lines.

The official food poverty in Kenya is derived in a way that meets the subsistence caloric requirements based on the FAO/WHO recommendations of 2,250 calories per day per adult. To compute the food poverty line in monetary terms, a food basket which provides the minimum required calories for the population is constructed and given a value. The official food basket in Kenya consists of 17 food items that provide 2,250 calories per day per adult. This food basket takes into account the consumption pattern of the Kenyan population. The cost of this basket calculated at 1994 and 1997 prices provides the food poverty lines for 1994 and 1997.

The food poverty lines were estimated as follows:

- Rural areas in 1994 – Ksh 703 (US$9.250\textsuperscript{9}) per adult per month

Table 2.1 Consumption poverty lines in Kenya (monthly levels of spending, in Ksh& US $)
- Urban areas in 1994- Ksh 875(US$11.50) per adult per month

- Rural areas in 1997 Ksh 927(US$12.20) per adult per month

Note that the amount of Ksh 703 was for the year 1994 but the exchange rate used is Ksh 76 per US dollar which is applicable today yet the then exchange rate was much less. For the purpose of uniformity a fixed exchange rate of Ksh76 per US dollar is used throughout this thesis as earlier stated.

We can now use these threshold figures to provide perspective on the median earnings of informal and formal sector workers. One must proceed with caution in making these comparisons, keeping in mind that its comparison of data on earnings from employment with consumption-based poverty lines. This means that the working people whose earnings are below the poverty line do not necessarily live in poverty, as measured by a consumption-based poverty line. Those with low earnings may be experiencing only a one-time drop-off in their income. They may also be living in families where other members bring home sufficient income to maintain the family above poverty standard. They may also be growing their own food or receiving other types of in-kind income to supplement their earnings from employment.

Considering all these important qualifications, it will still be useful to consider the relationship between workers’ earnings and the official government poverty lines. To begin with, the urban poverty line of Ksh 2,913 (38.30US$) per month is about 25 percent below the Ksh 4,000 (US $52.60) in median monthly earnings of both paid employees and self-employed own-account

<table>
<thead>
<tr>
<th></th>
<th>Food poverty line</th>
<th>Overall poverty Line</th>
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<tbody>
<tr>
<td></td>
<td>Ksh</td>
<td>US $</td>
</tr>
<tr>
<td>Rural Poverty Line</td>
<td>988</td>
<td>13</td>
</tr>
<tr>
<td>Urban Poverty Line</td>
<td>1,474</td>
<td>19.40</td>
</tr>
</tbody>
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Data source: Government of Kenya 2007

9 Refer to Appendix II & III for a complete Minimum wage schedule as gazetted up to 2005
Now, of course, a high proportion of income earners have to support not only themselves with their earnings, but other family members as well. Assuming, for illustrative purposes that, for example, the average working person in Kenya supports one other person through his/her earnings, and consider the implications. First, for urban informal paid employees, dividing their Ksh 4,000 (US $52.60) monthly earnings among two people means that each person lives on Ksh 2,000 per month (US $26.30). This is about one-third below the urban poverty line of Ksh 2,913 (US $38.30).

Even with urban formal paid employees, dividing Ksh 9,000 (US $118.40) per month among two people means that both people are living on Ksh 4,500 (US $59.20) per month. This amount is only slightly more than 50 percent above the urban poverty line. The story is similar in comparing the incomes of rural workers with the Ksh 1,562 (US $20.55) rural poverty line.

Among all the categories of working people in Kenya for whom data is available, the only groupings that, on average, clearly earn incomes above the poverty line are those employed in the public and semi-public sectors. In short, we see from these figures that being employed in Kenya does not ensure that one will be living out of poverty.

2.5 Causes of Poverty

Some of the principal causes of poverty among the country’s poor socio-economic groups are

- Dualism;
- Globalization and international processes
- HIV/AIDS
- Hunger, natural cycles and disasters
- Population pressure;
- State superstructure and policy, legal, institutional and resource allocation bias;
Poor natural resource base and mismanagement of the environment;

Gender bias;

Exploitative intermediaries

2.5.1. Globalisation (Historical Context?)

Historically, during the first “globalization period” direct slavery was abolished, and at the 1884 Berlin conference the European states were able to carve up Africa under a veil of rhetoric about human rights. At that time missionaries were able to remedy worst of people’s physical destitution, but their most important contribution was to calm people by promising them a better afterlife. Today many Kenyans like other Africans see parallels with this.

While Africa has been heavily deindustrialized even the strongest advocates of Globalization have to admit according to Reinert (2007), that sub-Saharan Africa has become poorer during the last twenty-five years – that many organizations work, as did the missionaries, to try to alleviate the worst symptoms of poverty. And the industrialized countries paradoxically contribute heavily to relieve the suffering, just as people used to contribute to the missions. After three not very successful development decades under the direction of the United Nations, the world community has given up developing the poorest countries.

In the Millennium goals which took over from the Development decade, the ambition to develop the Third World has been toned down considerably in favor of an attempt to relieve the worst symptoms of poverty, by providing medicines, mosquito nets and pure drinking water. This is just as cancer patients are given palliative treatment- treatment that relieves the pain without attempting to cure the disease and according to Reinert, we are witnessing an increase an increasing focus on palliative economics as a substitute for development economics.

According to Kimaluet al (2002), cutbacks in health, education and other vital social services around the world have resulted from structural adjustment policies prescribed by the International Monetary Fund (IMF) and the World Bank as conditions for loans and
repayment (these are different things). In addition, developing nation governments are required to open their economies to compete with each other and with more powerful and established industrialized nations. To attract investment, poor countries enter a spiraling race to the bottom to see who can provide lower standards, reduced wages and cheaper resources. This has increased poverty and inequality for most people. It also forms a backbone to what is today called globalization. As a result, it maintains the historic unequal rules of trade.

Many developing nations are in debt and poverty partly due to the policies of international institutions such as the International Monetary Fund (IMF) and the World Bank. Their programs have been heavily criticized for many years for resulting in poverty. In addition, for developing or third world countries, there has been an increased dependency on the richer nations. This is despite the IMF and World Bank’s claim that they will reduce poverty.

Following the ideology known as neoliberalism, and spearheaded by the “Washington Consensus”¹¹ (for being based in Washington, D.C.), Structural development, while debt repayment and other economic policies made the priority. In effect, the IMF and World Bank have demanded that poor nations lower the standard of living of their people.

The IMF and World Bank provide financial assistance to countries seeking it, but apply a neoliberal economic ideology or agenda as a precondition to receiving the money. For example:

- They prescribe cutbacks, “liberalization” of the economy and resource extraction/export-oriented open markets as part of their structural adjustment.
- The role of the state is minimized.
- Privatization is encouraged as well as reduced protection of domestic industries.

¹¹The term Washington Consensus was initially coined in 1989 by John Williamson to describe a set of ten economic policy prescriptions that he considered to constitute a "standard" reform package promoted for crisis-wracked developing countries by Washington, D.C.-based institutions such as the International Monetary Fund (IMF), World Bank and the U.S. Treasury Department. Several countries attempted to implement components of the reform packages, with destabilizing results that Williamson has summarized as "disappointing, to say the least". Consequently, the Washington Consensus has been criticized as reflecting market fundamentalism by George Soros and Nobel Laureate Joseph E. Stiglitz, as well as others such as Latin American politicians and heterodox economists.
• Other adjustment policies also include currency devaluation, increased interest rates, “flexibility” of the labor market, and the elimination of subsidies such as food subsidies.

• To be attractive to foreign investors, various regulations and standards are reduced or removed.

The impact of these preconditions on poorer countries has been devastating. One straightforward example of this re-orientation was the shift in Kenyan food policy. From the time of independence until the interventions of the IMF and World Bank (also known as the international financial institutions, IFIs), the Kenyan government had an official policy of achieving food self-sufficiency.

That changed to “food security” in the mid-1980s – in other words, not necessarily producing all the food needed within the country, but ensuring an adequate supply from whatever source. And indeed, an analysis by KIPPRA\textsuperscript{11}, finds that “After the [IMF/World Bank designed] reforms, the country moved from broad self-sufficiency in production of most food staples to a net importer.”

According to Kulundu et al. (2002), the majority of sub-Saharan African countries, it is estimated that less than 20 per cent of the adult population has access to formal sources of finance. Depth of financial systems, as seen through the ratio of private credit to GDP, is also weak compared to other developing countries. South Africa presents an exception, with fairly developed financial markets.

Among the factors that contribute to low access rates are the low population densities and communications and transportation deficiencies especially in the rural areas. Kenya like most sub-Saharan African countries have lower branch and ATM penetration than developing countries in other regions. Affordability is another important barrier. Low levels of income and irregularity of income flows have tended to make large parts of the population “unbankable” in the eyes of traditional financial service providers.

More than 70 per cent of the labour force works in agriculture. Crop production and livestock husbandry account for about half of household income. The poorest members of society are those who are most dependent on agriculture for jobs and income. Average agricultural value
added per worker is low in many countries, reflecting a low degree of mechanization and limited penetration of improved seeds and inputs such as fertilizers.

At independent, Government of Kenya embarked on developing its human resources. Job creation to reduce unemployment and improve livelihood was its objective. Successive Governments have also not reneged on this obligation. However, after the implementation of the SAPs there was unprecedented socio-economic dislocation in the country. Manifestations of this dislocation included rising poverty, unemployment and the attendant wave of criminal violence and insecurity in the country as a whole and especially in Nairobi (capital city). Further, the economic liberalization meant nurturing ‘capital at the expense of humanity’.

The resistance on this donor-driven policy was met by aid freeze. The impact on human labour was the requirement to cut back any employment in the civil service and the teaching field thus leaving many university graduates unemployed. The negative results of retrenchment scheme affecting those in public corporation and the civil service have been enormous.

The Kenya’s Economic Recovery Strategy for Wealth and Employment Creation, 2003-2007, notes that at least 2 million Kenyans are not gainfully employed. It recognizes the fact that low labour force productivity is the result of low literacy levels and skills as well as the poor state of industrial relations and conditions in work places. The policy document seeks to promote acquisition of skills, harmonious industrial relations and ensure healthy working conditions for workers. Also echoed in the policy is to put in place mechanisms to provide for old age, disability, and development of social assistance programmes designed to ameliorate distress especially on the poor, measures seen to be going against the SAP.
2.5.2 HIV/AIDS

The phenomenon is no longer a symptom of poverty, but has now become a major cause to developing countries in Africa. The scale of the problem is so huge, and its effects so all-pervasive, that it is not enough to deal with it as simply another complicating factor in an already difficult environment. The reasons for this conclusion briefly includes the:

- Effect of HIV on the productive capacity of whole populations;
- Undermining of livelihoods in general and food security in particular;
- Impact on the provision of health and education services;
- Assault on the coping mechanisms of the poorest of the poor;
- Aggravation of already inequitable gender relations;
- Entrenchment and fuelling of social prejudice and discrimination.

An estimated 30 million people are living with HIV and AIDS in sub-Saharan Africa alone. Despite the fact that the region is home to just over 10% of the world’s population it harbors almost two-thirds of all people living with HIV and AIDS. The spread of HIV and AIDS across the continent will be a major obstacle to the achievement of many of the Millennium Development Goals (MDGs).

Figure 2.2 bellow shows the HIV/AIDS prevalence rate in 2006 for different Sub-Saharan Countries worst hit by the scourge. According to the UNAIDS/WHO Kenya prevalence rate was estimated at 6.1% and thus among Countries that has more than 5% prevalence rate. One can see that Swaziland is the most hit with a prevalence rate of 33.4% while 9 out of the 10 Countries with double digit prevalence rate in Africa are in Southern African Countries. The same countries are ranked among the least developed in the world. Kenya like other East
African Countries like Uganda and Tanzania too had double digit prevalence rate but has over time managed to contain the spread through multifaceted projects that among them include training, campaign, and poverty alleviation projects like credit facilities to self help groups of people living with HIV/AIDS and establishing a youth credit fund.

Figure 2.2 Countries with more than 5% HIV prevalence rate 2005

HIV/AIDS rates exhibit a lot of variation within countries\textsuperscript{11}. Successfully addressing the epidemic supposes a fine knowledge of its spatial configuration as well as the main propagation and transmission factors.

Figure 2.3 bellow shows HIV/AIDS prevalence rate from 1980 when it was zero and increased thereafter through to a highest in 1998 at 13.9%. There after it started to drop to 6.7% in 2003. The prevalence rate in Kenya was estimated to be 5.1% in 2007.

Poor health caused by HIV/AIDS, and resultant diseases results in massive problems in food production and food security. The effect on labour supply reduces the productive use of available land and reduces workers productivity. Illness and death amongst workers both in formal, informal, professionals and agricultural communities has created losses in skills and threatens the ability of societies to be self-sufficient. Furthermore resources that should have been targeted for investment are diverted to expenditures on HIV/AIDS treatment and funeral services.

In Kenya, like other African Countries new infections are statistically linked to transport infrastructure (transit roads, ports, urban centers) and people in certain professions (including the transport sector) are more at risk. By severely affecting family structures, asset distribution and labour supply, HIV and AIDS can and have had a tremendous impact on poverty.

Figure 2.4 below is a summary of the cycle of problems of HIV/AIDS infection in the society how it leads to serious economic problems, psychosocial distress, death of parents and youth, leads to lack of education to the orphaned children and leading to sexual exploitation and life on the streets and finally to increased vulnerability and infection of HIV.
2.5.3 Hunger

Kenya is vulnerable to devastating droughts which have led to fluctuations in food supply. As noted earlier, 70% of the Country is Arid or semi arid and thus constantly affected by droughts. The fluctuations hit the rural poor whose borrowing of food drives them into deeper poverty because they have to eventually pay the debts.

Meaningful long-term alleviation to hunger is rooted in the alleviation of poverty, as poverty also leads to hunger. World hunger is a terrible symptom of world poverty. If efforts are only directed at providing food, or improving food production or distribution, then the structural root causes that create hunger, poverty and dependency would still remain. And so while continuous effort, resources and energies are deployed to relieve hunger through these technical measures, the political causes require political solutions as well.
There are many inter-related issues causing hunger, which are related to economics and other factors that cause poverty. In Kenya they include land rights and ownership, diversion of land use to non-productive use, increasing emphasis on export-oriented agriculture, inefficient agricultural practices, tribal conflicts, famine, drought, over-fishing. Others include poor crop yields, war in the neighboring countries notably Somalia and Sudan leading to influx of refugees and migrant workers who raise the pressure on scarce resources including proving cheap labour formally belong to locals, as well as raising the level of armed crimes due to inflow of illegal arms from warring neighbors are among the man made disasters that increase the level of poverty in Kenya.

2.5.4 Dualism

The country’s post-independence development strategy, inherited from the colonial era, was dual: it focuses on urban areas and the rural areas, which are suited for export-oriented large-scale commercial farming. A drain of resources (in form of cheap labour, raw materials and wage good), from the rural to the urban areas and eventually to the North and the extraction and accumulation of resources by a few characterized this strategy. Effects of the strategy are discernible in today’s rural poverty and skewed income distribution and in the rural-urban migration that seems to be the main source of the growing urban poverty. In the end, rural infrastructure and information and marketing systems were neglected by the colonial state and, as a result, urban socio-economic groups fared better than their rural equivalents.

2.5.5 Population Pressure

Despite its decline from 4% to 3.4% per annum during the 1980s, the population growth rate still exerts enormous pressures on the country’s limited and often fragile resource base. Signs of the pressures are small land-holdings, landlessness, encroachment of marginal lands and environmental degradation. Further, the rapidly growing population has given rise to an expanding labour force, but employment opportunities have not kept pace with this expansion. The result is open and “disguised” urban unemployment: open unemployment, estimated at 22% in 2009, is evidenced by the visibly idle labour force, while disguised
unemployment comprises people engaged in part-time activities, such as hawking, shoe-shining, and car washing.

2.5.6 Policy, Legal, Institutional and Resource Allocation Bias

The political faction that was in power before 2002 was largely made up of “loyalists,” that is, beneficiaries or servants of the colonial state. As a result of their control of the new government, the independent state could not adequately address key issues, such as fair ownership of land. Instead, the few who controlled political power own large-scale farms, plantations, and ranches. Meanwhile, denied access to means of production (especially land), the poor cannot influence power relations in the society. Instead, they are rendered politically vulnerable by a patron-client culture, which through the buying of the votes of the poor and organizing the poor for ethnic-based politics, influences their political behavior.

Official policies, laws and institutions have had a built-in bias, which excludes the rural poor from the benefits of development. The bias, which fails to recognize the potential contribution of the smallholder to national development, is evident in investments in urban areas, emphases on crops for export, pricing policies favoring imported cereals, subsidies for both expansion of modern sub-sectors, adoption of import-intensive technology, heavy taxation of export crops grown by small farmers, and failure to provide incentive goods. Inaccessibility to land, water, credit and inputs, underdeveloped markets, limited and ineffective agricultural extension, failure to avail research findings to smallholders and lack of grassroots-based institutions which can promote a people’s meaningful participation in the country’s economic life are additional institutional factors perpetuating rural poverty in Kenya.

The most crucial factor creating poverty in rural areas is inaccessibility to land. In this connection, though only 30% of the land in Kenya is arable, and that the total number of large farms is only 0.14% of the small farms (2 acres, that is., 2,460/1.74 million ), the total land held by large farms is 71.4% of land held by the latter (that is, 2500/3500 acres) (Ayako, 1997). Yet, the former (plantations, ranches, and large farms) is under the control of just a few and provides employment to only 500,000 compared to 2,236,000 employed by the latter.
This concentration of land in a few hands has limited not only agricultural production but also avenues of employment. At the same time, agricultural policies that favour large-scale producers and urban populations have led the government to neglect infrastructure and information and marketing systems that would have promoted agricultural production in the rural areas. Further, in most parts of the country, many people have no access to land; instead, they subsist on thousands of acres as “squatters,” whose transitory income and earnings prevent them from planning for national development.

According to Ayako (1997), poverty in the rural areas is compounded by retrogressive administrative and agrarian acts, such as the Outlying Districts Act, the Societies Act, the Chiefs Authority Act, the Special Districts Administration Act, the Public Order Act, the Preservation of Public Security Act, the Agricultural Act, the Tea Act, the Coffee Act, the Co-operative Societies Act, the Crop Production and Livestock Act, and the National Cereals and Produce Board Act. All the acts have not only restricted rural communities from organizing themselves in a bid to improve their economic lot but also controlled the production, distribution and exchange of agricultural commodities.

Politics in Kenya is about who gets what, when and how and about the authoritative allocation of resources hold true since independent Kenya. The implications are that only those around sources of power can influence the distribution and allocation of resources and where power is concentrated in a few hands, the vast majority of the population becomes victims of policies decided on by a few. In regard to independent Kenya, the government attempted to implement policies geared towards a realisation of free health care and primary education in the early years of independence. Its policy shifted in the late 80s and early 90s however: it put in place a cost-sharing policy as a result of the introduction of the structural adjustment programmes (SAPs).

In relation to health, annual spending per capita declined from US $ 9.82 in 1980/81 to about US $6.2 in 1996 (an all-time low figure of US $ 3.61 was recorded for 1993-94), and the ratio of doctor/patient dropped from 1:5600 in 1994 to 1:6800 in 1996 (Owino, 1997). Today, the state cannot provide 50% of the total recurrent health expenditure. Meanwhile, the majority
of Kenyans are located more than 8 kilometres from any form of health facility, and 40% of the rural population has no access to health services. What is more, existing health facilities continue to depreciate as a result of corruption and mismanagement. In relation to education, over 90% of the government’s recurrent allocation is spent on teachers’ salaries and the administration at the Teachers’ Service Commission (TSC) headquarters. All the while, 50% of the pupils drop out in standard eight because they cannot pay school fees to advance in secondary school (what about the public system?).

In the urban areas, laws circumscribe the ability of labour movements to negotiate fair salaries. The Vagrancy Act effectively makes unemployment, homelessness and poverty in urban areas crimes because it defines a vagrant as “any person without lawful employment, means of subsistence, fixed abode, begging in the streets, living in a veranda, shop or unoccupied building” and states that such a person should be arrested without a warrant and, subsequently, repatriated to the countryside. In these circumstances, the contention that the urban poor are better off than the rural poor may be misleading: the transitory nature of urban existence and the inability by the urban poor to gain access to constant sources of food make the former more vulnerable than the latter.

But in a number of rural (and, now, some urban) areas in the country, politically-instigated clashes destroy property and life and the disrupt production and, in the end, generate insecurity and dependence that spawn poverty. According to the Kenya Human Rights Commission, from 1991 to 1996, over 15,000 people died and almost 300,000 were displaced in the Rift Valley, Nyanza and Western Provinces.

In the run-up to the 1997 elections, new violence erupted on the Coast, killing over 100 people and displacing over 100,000, mostly pro-opposition up-country people. Other incidences of the politically instigated clashes have been experienced between 1999-2007 mostly in the Rift Valley, Nyanza and the Western Kenya provinces. This violence has always aimed at creating animosity between communities to split their political inclinations, to frighten whole
Adjustment Policies (SAPs) have been imposed to ensure debt repayment and economic restructuring. But the way it happened required and forced poor countries to reduce spending on things like health, education and communities and induce them to vote for the ruling party as a guarantee for their security, or to drive out communities with divergent political views from specific electoral areas. In January and February of 2008 once again the cycle of tribal clashes was experienced after disputed elections and resulted in 1133 deaths and displacement of over 350,000 people and massive distruction of property (CIPEV, 2008).

The widespread displacement of people (most of whom are poor) not only indicates an absence of rule of law that should protect property rights and engender justice for the poor.

2.5.7 Gender Bias
Gender bias, rooted in the country’s cultural and ethnic traditions has discriminated against women by denying them land, credit, inputs, agricultural extension, and training. Furthermore, traditional division of labour overburdens women who have to spend time and expend energy on domestic chores, such as of fetching water and fuel and marketing. Similarly, the distribution of resources within a home exhibits an anti-women bias.

In Kenya as with overall equity concerns, gender equality is important for both intrinsic and instrumental reasons. It has a bearing on family harmony and on wellbeing in many dimensions. It involves policy-making with respect to society as a whole, i.e. education, labour and financial markets, economic and political empowerment, institutions, and economic growth. There are close links between the reduction of both gender inequalities and multidimensional poverty. The empirical evidence suggests that developing countries with less gender inequality tend to have lower poverty rates. Gender inequality represents an untapped source for stimulating economic growth and promoting social development. This is particularly true in the developing world, where women are often systematically deprived from having equal access to social services as well as to physical and social capital. Hence, empowering women by improving their living conditions and enabling them to actively participate in the social and economic life of a country may well be the key for long-term sustainable development.
But the pro-poor potential of labour intensive growth is based on the recognition that labour power is the primary asset at the disposal of the poor and hence labour markets the key transmission mechanism through which the benefits of growth can be distributed to the poor. However, it is also premised on a number of implicit, often unexamined, assumptions about the ease with which the poor can transform their labour into paid work and paid work into improved levels of livelihood, security and accumulation. A gender analysis of labour and labour markets suggests that this ‘transformation’ process not only cannot be taken for granted but that it is also far more problematic for women than for men because of the existence of various gender-related constraints that include education and training, culture, perception and masculinity. These constraints relate to social norms and values which govern the gender division of labour in production and reproduction in Kenya.

These constraints mean that women face greater difficulties than men in translating their labour into paid work. Moreover, they also face greater difficulties in translating their paid work into higher incomes, a reflection of gender inequalities in the resources that men and women bring to the labour market. Gender norms and practices tend to exacerbate the effects of scarcity so that poor women enter the labour market with lower levels of health, nutrition, education and skills than poor men and with fewer productive assets. Gender differentials in pay and working conditions partly reflect these gender differentials in capital and capabilities. Yet, women’s disadvantaged position in the labour market also reflects the combination of active discrimination and unconscious biases that they encounter from other market actors. Unfounded beliefs about women’s aptitudes, skills and dispositions, assumptions that all women have mothering responsibilities and widespread adherence to the ideology of the male breadwinner on the part of employers, state officials and trade unions, regardless of the reality on the ground, all serve to assigning women to less well paid jobs or paying them less than men. The consequences of such behaviour shows up in findings that gender differentials in wages cannot be explained away by differentials in education, skills, experience or location in the labour market.

Policy discussions about the interactions between poverty and gender inequality have tended to use the idea of the feminisation of poverty to explain differences between male and female poverty in a given context, as well as changes over time.
Gender inequalities are present in many ways in the labour market. Two relevant indicators of these inequalities in Kenya are the ratio between female and male participation in the paid workforce and the ratio between female and male hourly wages. These indicators reflect the fact that women face barriers to enter the labour market and, when they find a job, their earnings are lower than those of men.

2.6 Trade Unions and Poverty alleviation

Trade unions have a critical role in the poverty alleviation matrix and thus the strategies on poverty have usually focused on three types of action which includes participation in dialogue and lobbying at international, regional, and national levels; specific programs of activities for trade unions; and an interface between themselves and the community. This section will be discussing this interface and other trade union poverty-reduction activities both at national and international level. For example in recognition that the economic reforms imposed on African states by IFIs had a heavy toll, and not only on the workers but also on society at large the International Trade Union Congress (ITUC) (1996) stated that prospects of Africa are bleak, with tens of millions barely surviving in a degrading and debilitating poverty. It said that in many developing and transition countries people are compelled to struggle to survive through casual employment or small income generating activities in the so called informal sector of the economy. Dire poverty is causing increasing number of desperate people to migrate in search of employment. The harsh strategies of structural adjustment policies of the IMF and the World Bank have resulted in large-scale job losses, severely reduced living standards, lower real minimum wages and cutbacks in much needed investment programs. With this understanding and realities, trade unions must be in the forefront in the fight against poverty.
2.6.1 International labour Standards

The starting point for trade unions in the fight of poverty is the International labour standards that are made in defense of human and trade union rights. The International conventions have always provided bases for the development of national legislation and practices.

According to Mwamandzingo et al(2003), the process of democratization in Africa can be significantly strengthened and supported by the better application of the international labour standards like the Tripartite Consultation(International Labour Standards) Convention, 1976(No. 144).

Poverty, ethnicity, and inequitable distribution of the national resources are among the root causes of underdevelopment in Kenya and other African countries. Also, as discussed earlier, effects of conflicts, civil strife and unrest erodes socio-economic development, destroy workplace and undermine working conditions as well as training opportunity. It is upon the trade union to expose and denounce the repression and violation of trade union rights as a human right.

2.6.2 Participation in dialogue and lobbying for social clause

Trade unions in Kenya like other parts of Africa has supported the observance of the core labour standards that are aimed at preventing exploitation, repression and discrimination by ensuring that the standards constitute the basic floor of workers’ rights. The standards also aim at confronting or averting the serious danger that unscrupulous employers and businessmen may, in an increasingly competitive and global market environment, seek to gain short-term advantage by abusing fundamental workers rights.

To this end Mwamandzingo et al (2003) proposes for a social clause campaign that should stress the following issues at the international Trade union level:

- The international labour standards suggested by the trade unions constitute basic human rights for workers. No proposals are made for global minimum wages and working conditions. Trade unions seek to stop governments from trying to gain competitive advantage through the repression, discrimination and exploitation of workers.
The proposals are anti-protectionist, and are aimed at opening markets and increasing growth and development. A worldwide commitment to basic workers' rights will help to spread more fairly the benefits of trade within and between countries. Workers' rights are enabling and will create opportunities for unions to work with employers and governments to improve wages and working conditions as trade and economic performance increase.

The key to successful linking of workers’ rights to trade is an agreed step-by-step procedure that is open, fair, and multilateral and allows time for problems to be resolved through discussion and negotiation. Trade measures should be reserved for cases of prolonged non-cooperation. Both the WTO and the ILO should co-operate closely in the implementation of international workers’ rights and trade environments.

At the international level Trade unions has continued to dialogue to ensure that social and labour concerns are reflected in the new international framework of rules and policies that governments are developing. Through international institutions like WTO, IMF, World bank, OECD, and other decision making bodies like the G-8, and other agencies of the United Nations, governments must ensure that the market serves the interest of working class both men and women and their families rather than those of the business community only.

2.6.3 employment creation and poverty alleviation

Poverty and employment are intertwined problems that needs to be tackled with a joint approach to attack the twin problem of poverty and employment, should participate in actively in national programs designed to alleviate unemployment and poverty.

Some of the ways in which trade unions can contribute to poverty reduction and employment creation would include a meaningful dialogue throughout the process of structural adjustment, this could facilitate implementation, particularly in privatization and public sector restructuring projects. Collective bargaining for productivity-related wage increases is the most direct contribution of trade unions to poverty reduction. In Kenya like other African countries, trade union membership includes the working poor, whose incomes in the organized sector of the economy often support a number of poorer extended family members.
In addition to their economic role, trade unions also have a role in social policy and human development. Trade unions are involved in a number of human development campaigns that include raising awareness and monitoring child labour, promoting gender equality, providing education and training for members, improving national government accountability and fighting corruption, protesting arms proliferation and aiding in conflict resolution, and educating members about HIV/AIDS. Others include organizing workers in the informal sector and training them in entrepreneurial and other skills. Trade unions are also instrumental in pressuring government to adopt employment-intensive economic policies and provide social protection schemes.

Trade unions have a specific role to play vis-à-vis ensuring that the new poverty reduction commitments on the part of IFIs translate into effective change at country level. On one hand, as representatives of workers, trade unions have a particular interest in ensuring that the respect of fundamental labour rights and the enforcement of basic labour standards are part and parcel of any national poverty reduction strategy. On the other hand as an organized civil society, trade unions obviously take the in ensuring that genuine consultations of civil society takes place and participates in monitoring the programmes effectiveness.

2.6.4 Specific programmes of activities for poverty alleviation

Poverty related trade union programmes and activities are mainly delivered through worker’s education and training programmes. This includes;

- Activities in combating child labour
- Activities for women
- Democracy and good governance
- HIV/AIDS and the workplace
- Bargaining on national issues such as national budgets and reform policies
- Human and trade union rights activities through free unionism
- Campaigns for debt cancellation
- Campaigns against corruption
- Conflict resolution and the campaign against arms proliferations
- A campaign for active labour market and employment policies
- A campaign for efficient, responsive and comprehensive social protection.
- Environmental conservation through tree planting projects.
- Organizing street vendors to form SACCOs.

Some unions are involved in direct activities on investment and income generating activities like a forestation programs. Central organisation of trade unions in Kenya (COTU) has conference facilities that employ over a hundred employees. Such investments have contributed to employment and poverty alleviation.

**2.6.5 Trade Unions and Community interface**

The trade union and community interface is a very important aspect of poverty alleviation. Union membership is drawn from workers in the formal sector in both urban and rural areas as well as informal sector depending on industry of a unions representation. Behind the social fabric of African society is the traditional extended family, which makes the trade union mandate even broader. As part of a vigilant civil society, trade unions not only represent the interests of its membership, but also speak for the entire communities, especially in situations where government efforts are inadequate.

Trade unions also mobilize societies in respect of tasks of national importance. Possibly this is due to the well developed structures they have at their disposal. Trade union networks extend from grassroots to the international community. Democratically elected workers representatives are to be found at all levels and thus a strong voice of the poor.
2.7 Conclusion

The term poverty can be defined as deprivation or lack of those things that determine the quality of life mainly food, clothing, shelter etc and has a very wide range of meaning or things that determine quality of life and thus includes the intangible things. There are many things that cause poverty and a big debate over causes, effects, measurements or determinants of poverty and thus there are different meanings and approaches used to tackle poverty.

At a poverty line of $1.25 a day, the revised estimates find 1.4 billion people live at this poverty line or below. This is more than the previous estimate of 984 million with the older measure of a $1 a day in 2004. In 1981, the estimated number of poor was also revised upward, from 1.5 billion to 1.9 billion. The World Bank notes that “the incidence of poverty in the world is higher than past estimates have suggested. The main reason is that [previous data] had implicitly underestimated the cost of living in most developing countries.

In Kenya about 45% of the population are classified as poor leaving in less than a dollar a day. The key determinants of poverty in Kenya include location (rural/urban); household size; level of education of head of household, gender (male versus female headed households); agricultural output (cash crop farmers or subsistence farmers); access to land; and ownership of livestock and of selected durable farm tools among others.

Trade unions have traditionally co-operated in the struggle against any forms of social injustice and exclusion. It is evident that unions are striving to address the issue of poverty from different standpoints. The trade union movement remains discounted with the poverty initiatives currently being advocated by IFIs. The fact that PRSP are premised on liberal free market dogma is also of some concern to unions. It seems that Trade unions are and will support and promote any measures that are genuinely aimed at eradicating poverty.
CHAPTER 3

LABOUR MARKET RELATIONS

3.1 Introduction
When employment expands along with production, the benefits of growth will be widely shared. Better employment opportunities provide people with new, and often improved, sources of income. In this way, improving the quality and quantity of employment opportunities directly links economic growth to poverty reduction. Low-income households possess few assets of their own. Instead, the most abundant resource the poor have at their disposal is their labour (Islam 2004, Squire 1993). A development strategy that more fully employs a country’s human resources and raises the returns to labour becomes a powerful tool for reducing poverty. To realize this potential, development strategies cannot relegate employment to the margins of policy formulation. Employment must become a core objective of economic policy.

In order to analyze the relationship between labor and the poverty, this chapter will look at the industrial relations in Kenya and its role in the fight of poverty. It will also be an attempt to link labor conditions and poverty and the avenues that the labor relations can intervene in the fight of poverty among the working poor.

3.2 Industrial relations in Kenya

Industrial Relations can be called labor relations and under certain circumstances they may be termed human relations as they deal with the welfare of human beings- the workforce.

The relation between the workers through their organizations the trade unions and the employers are in essences the industrial relations. The industrial relations are indeed interlinked with the freedom of association and the protection of the right to organize and bargain collectively.

The two most important International Labor Organization’s conventions having direct bearing on the industrial relations are Convention No. 87 of 1948- The freedom of Association and the protection of the Right to organize and Convention No. 98 of 1949- The Right to Organize and Collective Bargaining.
Organizations of workers and employers have a direct and decisive influence – far reaching than that of social legislation itself – on the living standards and way of life of the people as a whole. They deeply influence the economic, political and social systems of workers– they have become an integral part of the whole national structure.

There are 42 independent trade Unions in Kenya that despite their leadership wangles and harsh economic environment they operated and continued to champion workers rights through negotiations of improved terms and conditions of employment for unionisable employees and protection of their employment as well as the representation of their members in trade disputes processes at both informal, formal and industrial court levels.

They however continued to demand for the removal of wages guidelines claiming that they are no longer useful and demanded that they be allowed to negotiate terms and conditions of employment of the employees freely. They feel that by scraping the same they could contribute more effectively to economic growth and employment creation through high productivity of goods and services.

Management in Kenya is represented by the Federation of Kenya Employers (FKE), plus a number of regional and industrial associations. Most bargaining is conducted between an individual union and FKE on behalf of the employers in an industry. Both sides enter into agreements which, in addition to specifically recognizing the bargaining rights of the unions, outline the procedures the parties agree to follow during negotiations.

In 1965 the government enacted the Trade Disputes Act to regulate bargaining relationships in both the private and public sectors. This legislation has been silent concerning the procedures to be followed prior to the point when a dispute has been declared to the Ministry of Labour. However, he must then consult an ad hoc tripartite committee, and on its recommendation may

i) Appoint a conciliator,

ii) Appoint an investigator,

iii) Refer the matter back to the parties for further negotiations, or

iv) Refer the dispute to the Industrial Court- this only occurs when only when conciliation fails in collective bargaining disputes,
or if the parties reject the recommendation of the investigator in grievance disputes.

The procedures are therefore quite clear: they provide for voluntary negotiation, conciliation, and if necessary, referral to the Industrial Court. The statute outlined the conditions under which a strike is illegal, and thereby implicitly recognizes the right of an employee to strike. But this is legal in two instances:

i) If the Minister of Labour fails within 21 days to refer a dispute to conciliation, investigation, or to the Court; and

ii) If the employer refuses to implement a Court award and the union has exhausted all other available procedures. Notwithstanding the foregoing, however, the Minister can still declare a strike illegal and intervene.

3.3 The Relations between Poverty and Employments

To understand the relationship between poverty and employment it is important to review figures on employed people in Kenya whose household income levels place them below the overall consumption poverty lines—based on either the urban or rural consumption poverty lines, depending on where the households are located.

Sources of poverty for labor force participants or workers, includes insufficient hours of employment and low earnings.

Table 3.1.bellow, shows the proportion of labor force participants who live in poor households, defining poverty according to the overall consumption line for both rural and urban areas. As we see in Table 3.1, of all Kenyans who are participating in the labor force but are unemployed, roughly 65 percent live in poverty.

But as the table also shows, the proportions living in poverty are basically the same if a Kenyan is employed and working up to 39 hours per week. Specifically, for those working 1-
27 hours per week, nearly 70 live in poverty. Among those working 28–39 hours per week, about 66 percent live in poverty.

In other words, excluding those in the agricultural self-employed category, we see that being employed in Kenya up to 39 hours per week itself provides no clear benefit to a working person as a means of living above the poverty line. It is true that among the labor force participants working 40 hours or more per week, the percentage living in poverty does go down, to 46.1 percent. Still, this percentage remains very high. It means that, even among workers employed 40 hours or more per week, nearly 50 percent live in poverty, based on the official consumption poverty line.

This poverty figure for those working 40 hours or more per week is especially important since a large majority of Kenyans do work 40 hours or more per week.

Table 3.1. Proportion of Labor Force Participants living in poverty

<table>
<thead>
<tr>
<th>Status</th>
<th>% poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployed</td>
<td>65.9%</td>
</tr>
<tr>
<td>1-27 hours per week</td>
<td>69.8%</td>
</tr>
<tr>
<td>28-39 hours per week</td>
<td>65.6%</td>
</tr>
<tr>
<td>40 or more hours per week</td>
<td>46.1%</td>
</tr>
</tbody>
</table>

Source 2005-06 KIHBS

More specifically, as we see in Table 3.2, of the almost 4.3 million labor force participants with no agricultural self-employed workers in the household, 2.8 million, or roughly 65 percent, are working 40 hours or more per week.

This means, in turn, that even though the chances of living in poverty in Kenya do go down somewhat if one works 40 hours or more per week, it is still the case that the overwhelming proportion of labor force participants in Kenya who live in poverty are also working 40 hours or more per week.
Table 3.2 Breakdown of all Labor force Participants, According to hours worked per week

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of labor force participants in category</th>
<th>% of labor force participants category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployed</td>
<td>628,409</td>
<td>14.6%</td>
</tr>
<tr>
<td>1-27 hours/week</td>
<td>492,773</td>
<td>11.4%</td>
</tr>
<tr>
<td>28-39 hours per week</td>
<td>404,722</td>
<td>9.4%</td>
</tr>
<tr>
<td>40 or more hours/week</td>
<td>2.8million</td>
<td>64.6%</td>
</tr>
<tr>
<td>Total</td>
<td>4.3million</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source 2005-06 KIHBS

As seen from Table 3.3 below, 55 percent of all labor force participants who live in poverty are also working over 40 hours per week. Only 18 percent of labor force participants living in poverty are actually unemployed.

Considering these data overall, a key message emerges, both for Trade Unions who represent workers and for economic policy discussions in Kenya more generally. It is that the most serious problem facing Kenyans in the labor market today is not unemployment per se or even low hours of work per se. It is that, even among those Kenyans who are working long hours—i.e. 40 hours or more—the chances are very high that one will be living in poverty. This conclusion applies to working people in both rural and urban areas.

Of course, policies for fighting open unemployment per se in Kenya need to be advanced. But these data show clearly that it is even more critical to raise earnings levels substantially for the overwhelming majority of Kenyans participating in the labor force who are employed but, despite the fact that they are employed, are still living in poverty.
Table 3.3 Breakdown of labor force participants in poverty, according to hours worked per week

<table>
<thead>
<tr>
<th>Number of hrs worked/week</th>
<th>% of poor workers in category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployed</td>
<td>18.0%</td>
</tr>
<tr>
<td>1-27 hours per week</td>
<td>15.0%</td>
</tr>
<tr>
<td>28-40 hours per week</td>
<td>11.5%</td>
</tr>
<tr>
<td>Over 40 hours per week</td>
<td>55.5%</td>
</tr>
</tbody>
</table>

Data Source 2005-06 KIHBS

Note: Figures do not include labor force participants in households with a worker in agricultural self-employment.

### 3.3.1 Employment Conditions and Living standards

In the Table 3.4 below is a basic data on labor conditions in Kenya. As the table shows, as of 2006, the total population of Kenya was 35.6 million. Of this total population, there are 15.5 million, 43.5 percent of the total, who are between 0–14 years of age. The primary working age population (15–64) is 18.8 million, or 52.8 percent of the total population. There are 1.3 million people who are 65 years old or more, accounting for 3.8 percent of the total population. Focusing on the 18.8 million Kenyans between the ages of 15–64, the total number of these primary working age people participating in the labor force — including all people employed and unemployed—is 13.5 million. This means a labor force participation rate among the primary working age population of 71.5 percent (i.e. 13.5/18.8 million = 71.5 percent).
Table 3.4 Population and Labor Force in Kenya

<table>
<thead>
<tr>
<th>Population</th>
<th>35.6 million</th>
<th>%age</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age distribution of population</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0-14 years</td>
<td>15.5 million</td>
<td>(43.5%)</td>
</tr>
<tr>
<td>15-64 years</td>
<td>18.8 million</td>
<td>(52.8%)</td>
</tr>
<tr>
<td>65+</td>
<td>1.3 million</td>
<td>(3.8%)</td>
</tr>
<tr>
<td><strong>Labor force participation rate of primary working-age population (15-64 years)</strong></td>
<td>13.5 million</td>
<td>(71.5%)</td>
</tr>
<tr>
<td><strong>Total employment</strong></td>
<td>12.1 million</td>
<td></td>
</tr>
</tbody>
</table>

Data Source: An employment-targeted economic program for Kenya 2006

Table 3.5 bellow shows the distribution of employment by sector and shows that agricultural self-employed comprises of about 50% of the total employment while the informal contributes about 35% and formal 14% indicating that agriculture is still the main stay of the economy and major source of income to many people.

Table 3.5 Distribution of employment by sectors

<table>
<thead>
<tr>
<th>Agricultural self-employed</th>
<th>6.0 million</th>
<th>(50.0%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Informal (includes non-agricultural self-employed, paid employees, and other employees)</td>
<td>4.3 million</td>
<td>(35.7%)</td>
</tr>
<tr>
<td>Formal (includes non-agricultural self-employed, paid employees, and other employees)</td>
<td>1.7 million</td>
<td>(14.0%)</td>
</tr>
<tr>
<td>Undetermined</td>
<td>0.04 million</td>
<td>(0.3%)</td>
</tr>
<tr>
<td><strong>Open unemployment (relaxed definition)</strong></td>
<td>1.4 million</td>
<td></td>
</tr>
<tr>
<td><strong>Open unemployment rate</strong></td>
<td>(1.4 m/13.5 m)</td>
<td>10.5%</td>
</tr>
</tbody>
</table>

Source: An employment-targeted economic program for Kenya 2006
The problem of youth unemployment has long been recognized in Kenya. The 1972 International Labor Organization (ILO) report on employment in Kenya acknowledged that the formal sector had limited capacity to generate enough jobs to absorb the existing labor force. Since then this problem has remained high on the government’s policy agenda but, with rapid population and labor force growth as well as economic decline, it continues to be a pressing problem.

There are approximately 1.8 million unemployed people aged between 15 and 64 in Kenya, resulting in a national unemployment rate of 14.6 percent. Sixty percent of all unemployed people are under the age of 30, and 45 percent are under 24 years of age. The largest number of unemployed people is in the 20 to 24 age group. Only 1.5 percent of the unemployed have any formal education beyond the secondary school level. In addition, the vast majority of unemployed people (92 percent) have no vocational or professional skills training. In effect, unemployment is not just due to a lack of jobs, but it is also due to the workforce lacking the skills needed to support a growing economy.

The Table 3.6 below shows unemployment and labor force participation rates by age, gender, and location. The Labor Force Report (Central Bureau of Statistics, 2003b) defines the unemployment rate as the proportion of unemployed people in the total labor force. Unemployed people are defined as those of working age (age 15 to 64) who reported that they were not working but were looking for work. The participation rate is the percentage of the working age population that is economically active.

Overall, unemployment rates in rural areas are much lower than those in urban areas. This is partly because many young people migrate to urban areas to look for employment. Young females especially in the 20 to 24 year and 25 to 29 year age groups have much higher unemployment rates than males. The gender disparity is mostly an urban phenomenon as unemployment rates for males and females in rural areas are similar. These gender disparities may be a reflection of discrimination in hiring practices as well as the lower skill levels of females.
Table 3.6 Unemployment and Participation Rates by Age, Gender, and Location.

<table>
<thead>
<tr>
<th>Age</th>
<th>Unemployment Rate</th>
<th>Unemployment Rate</th>
<th>Participation Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rural</td>
<td>Urban</td>
<td>Total</td>
</tr>
<tr>
<td>15-19</td>
<td>14.3</td>
<td>56.2</td>
<td>21.8</td>
</tr>
<tr>
<td>20-24</td>
<td>15.5</td>
<td>27.2</td>
<td>19.0</td>
</tr>
<tr>
<td>25-29</td>
<td>7.6</td>
<td>9.0</td>
<td>8.2</td>
</tr>
</tbody>
</table>

Source: Central Bureau of Statistics Labour Force Survey 1999

The Ministry of Labor and Human Resource Development and UNDP (2004) cited the following as causes of youth unemployment in Kenya:

- **Population Growth Rate**: The rapid population growth rate has led to a large flow of labor into the labor market. Approximately 500,000 young people join the labor force annually. Because the rate of absorption of these young people into productive employment is low, this leads to high unemployment rates.

- **Economic Growth**: In the recent past, Kenya has been experiencing low economic growth rates. In 2000, there was a negative growth rate of 0.2 percent, but this improved to a positive growth rate of 1.2 percent in 2001 and 1.1 percent in 2002. The low economic growth rates have reduced the capacity of the labor market to absorb all the potential workers in the labor force. The demand for labor has been decreasing while the supply of labor is increasing.

- **Education and Training System**: The educational system has not been effective in equipping students with the practical skills required by industries or necessary for self-employment.

- **Job Selectivity**: Young people have a negative attitude towards “blue-collar” jobs and school leavers are selective about the type of jobs that they think they should accept. They prefer white-collar jobs, which are limited in number.

- **Labor Market Information**: Information on existing vacancies and wages is not made readily available to potential workers, and firms lack information about the skills of available workers.

- **Rural-Urban Imbalance**: Development and the higher wages paid in urban areas than rural areas have led to mass rural to urban migration. This has created a large and unemployed
labor force. It is important to note that in the rural areas, self-subsistence activities like small scale farming are classified as working population in the national population census.

(out of context)

3.3.2 Working Children

The Child Labor Report issued by the Central Bureau of Statistics in 1999 defined working children as those aged 5 to 17 years who worked for pay, profit or family gain for at least 1 hour.

Some causes of child labor are poverty, parental illiteracy, social apathy, ignorance, lack of education and exposure, exploitation of cheap and unorganized labor. The family practice to inculcate traditional skills in children also pulls little ones inexorably in the trap of child labor, as they never get the opportunity to learn anything else. Poverty on the other hand causes child labour.

Absence of compulsory education at the primary level, parental ignorance regarding the bad effects of child labor, the ineffectively of child labor laws in terms of implementation, non availability and non accessibility of schools, boring and unpractical school curriculum and cheap child labor are some other factors which encourages the phenomenon of child labor. It is also very difficult for immature minds and undeveloped bodies to understand and organize them selves against exploitation in the absence of adult guidance. Poverty and over population have been identified as the two main causes of child labor. Parents are forced to send little children into hazardous jobs for reasons of survival, even when they know it is wrong. Monetary constraints and the need for food, shelter and clothing drives their children in the trap of premature labor. Over population in some regions creates paucity of resources. When there are limited means and more mouths to feed children are driven to commercial activities and not provided for their development needs. This is the case in most Asian and African countries.

Illiterate and ignorant parents do not understand the need for wholesome proper physical, cognitive and emotional development of their child. They are themselves uneducated and unexposed, so they don’t realize the importance of education for their children.
Adult unemployment and urbanization also causes child labor. Adults often find it difficult to find jobs because factory owners find it more beneficial to employ children at cheap rates. This exploitation is particularly visible in garment factories of urban areas. Adult exploitation of children is also seen in many places. Elders relax at home and live on the labor of poor helpless children.

The globalization has also had a negative effect by giving rise to circumstances which encourages child labor. Sometimes multinationals prefer to employ child workers in the developing countries. This is so because they can be recruited for less pay, more work can be extracted from them and there is no union problem with them. This attitude also makes it difficult for adults to find jobs in factories, forcing them to drive their little ones to work to keep the fire burning their homes.

3.3.3 Desired working conditions

Working conditions should be protected by well-enforced rules – rules that guarantee workers the right to organize, to have limits on their work day, to be paid a minimum wage, to enjoy social security and more. Workers have enjoyed these guarantees in the rich countries for nearly a century, but recently governments have been weakening the rules in the name of “global competition.” Meanwhile, in spite of many conventions of the International Labour Organization (ILO), workers in poor countries have few rights or protections, and some endure terrible working conditions. Financial crises in Asia, Eastern Europe and Latin America have only made matters worse. And the Bretton Woods Institutions have long tried to weaken regulations governing employers’ obligations to their workers.

Trade Unions in Kenyahas not indulged with workers in self employed enterprises yet this sector comprises majority of the youth struggling not only with poverty but finding food. Trade Unions in Tanzania for example recruit and organize self employed workers. Services offered by trade unions to such members includes:

- Acting as guarantor when need to secure credit from Banks and other financial institutions
- Advertising of their businesses
- Help them in forming small groups that make up SACCOS
- Representing workers at the municipal council issues including defending them incase of council cases
- Constructing working sheds for doing their business
- Training on entrepreneurship
- Training on HIV and environmental conservation

3.3.4 National Social Security Fund

Social security – the protection that a society provides to individuals and households to ensure access to health care and to guarantee income security – is an essential means to keeping working people and their families from falling into poverty. In some cases, extending social security coverage to the unprotected can actually lift families out of poverty.

Fewer than 10 percent of people in most sub-Saharan African countries have social security coverage. This has an enormous impact on their lives and on work itself. What little earning power the impoverished have is further suppressed by marginalization and lack of support systems – particularly when they are unable to work because of age, illness or disability.

In 2001, the International Labour Conference defined some basic principles and approaches that should guide the process of extension of social security. It considered that there is no single right model of social security, and that priority should be given to policies and initiatives that can bring social security to those who are not covered by existing systems.

In Kenya the National Social Security Fund (NSSF) is a workers contributing system that ensures workers are given a meaningful life after retirement. The clients of NSSF include all employers, all workers on permanent employment in both the private and public sectors, the self employed; through funds voluntary contributors scheme, whereby all Kenyans of majority age can be registered.
The main benefits offered to members are:

1) Age Benefit; members are paid their savings plus interest upon retirement at the age of 55 years or above.

2) Withdrawal Benefit; members get their savings plus interest at the age of 50 upon early retirement.

3) Invalidity Benefit; with life’s unpredictability, employees have been known to get injured, or incapacitated through accidents or disease. When they can no longer work, NSSF pays them the invalidity benefit.

4) Emigration Grant; covers those Kenyans who are leaving the country for good.

5) Funeral Grant; is a token we pay to the next-of-kin upon death of a contributing member.

6) Survivor’s Benefit; Paid to dependants of a deceased member.

In table 3.7 below, the NSSF had about 58,800 registered employers countrywide and about 3,171,800 employees contributing to the fund in 2007. This is an increase of 1.6% and 2.3% from year 2006 of the number of registered employers and employees respectively. The annual contribution of workers rose by 15% from Ksh 4.65 Billion (about 59.7 million USD) in 2006 to Ksh 2,540 million (about USD 32.6million) in 2007. On the other hand the annual benefits paid only increased by 1% from Ksh 2,540 million (about USD 32.6million) in 2006 to Ksh 2,566 million (about USD 32.9million) in 2007. This refers to the amount paid to retired workers that if well used could help alleviate poverty to the retired workers.

Table 3.7 NSSF income and benefits paid
<table>
<thead>
<tr>
<th>Details</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registered Employers ‘000</td>
<td>61.3</td>
<td>57.9</td>
<td>58.8</td>
</tr>
<tr>
<td>Registered Employees ‘000</td>
<td>3,045.40</td>
<td>3,101.30</td>
<td>3,171.80</td>
</tr>
<tr>
<td>Annual Contribution Kshm</td>
<td>4,421.6($58.2m)</td>
<td>4,655.1($61.2m)</td>
<td>5,358.4($70.5m)</td>
</tr>
<tr>
<td>Annual benefits paid Kshm</td>
<td>2,548.8($33.5m)</td>
<td>2,540.2($33.4m)</td>
<td>2,566.8($33.7m)</td>
</tr>
</tbody>
</table>

Source: KBS 2008

Generally, the annual contribution is more than the annual payment as per figure 3.1, thus an increasing surplus of funds that trade unions has not ensured that there be ways that this fund can be of use to the workers in line with the NSSF mission and dream of a Kenya from poverty and want. A country where every human being will live in dignity and self respect; where everyone will enjoy social security as a human right.

Figure 3.1 National Social Security Fund contribution and payment

Source: KBS

Majority of workers are employed in the private sector about 1.2 million contributing workers and about 625,000 workers in the public sector. From the table 3.8 bellow, wage employment in public sector decreased by 0.6% from 654,200 in 2005 to 649,900 workers in
2006 and then decreased by 3.8% to 625,300 in 2007. At the same time the wage employment in private sector increased by 4.8% from 1.154 million workers in 2005 to 1.209 million workers in 2006 and then increased by 6% to 1.281 million workers in 2007.

This can be explained by the fact that the Kenya’s Real Gross Domestic Product (GDP) expanded by 5.7%, 6.1% and 7% in 2005, 2006 and 2007 respectively and has been increasing from 2003. Job creation has been recorded in the private sector, and mainly in the informal sector while the government has been undergoing restructuring.

Table 3.8 Wage employment in modern and private sectors

<table>
<thead>
<tr>
<th>Wage Employment in the Modern Sector</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>‘000</td>
<td>654.2</td>
<td>649.9</td>
</tr>
<tr>
<td>Private</td>
<td>‘000</td>
<td>1,154.6</td>
<td>1,209.9</td>
</tr>
<tr>
<td>Total</td>
<td>‘000</td>
<td>1,806.7</td>
<td>1,859.7</td>
</tr>
</tbody>
</table>

Wage Employment in the Public sector

| Central Government                  | ‘000  | 189.5 | 187.7 | 192.2 |
| Teachers Service commission         | ‘000  | 232.8 | 233.3 | 234.6 |
| Other Government bodies             | ‘000  | 144.5 | 143.9 | 116.6 |
| Local Government                    | ‘000  | 87.5  | 85.0  | 81.9  |
| Total                               | ‘000  | 654.2 | 649.9 | 625.3 |

Data: KBS

The NSSF has 2.9 million members but only about 1 million are active contributors. This means that the vast majority of the labour force is excluded from social security coverage and or that upon retirement they will receive no benefits or will receive very little benefits.
Moreover, even for those who are covered benefits are often inadequate. In addition, the payment of a lump-sum is generally recognized as an insufficient basis for the long-term social protection needed throughout retirement, widow-hood or invalidity.

In order to overcome these gaps and to aim at extending social security coverage to all Kenyan workers, the Government has decided to convert the provident fund scheme into a mandatory national social insurance pension scheme. This new scheme, which is guided by the minimum standards of ILO Convention No. 102 and world wide agreed principles of social security, will have the following features:

- Opening up membership to all workers in both the formal and informal sectors;
  - Encouragement to self-employed or seasonal workers to make voluntary contributions;

- Payment of monthly pensions to retirees in place of a single lump-sum;

- Guarantee of a minimum benefit, which will be regularly adjusted;

- Introduction of benefits for members in need prior to retirement;

- Retention of the provident fund for workers who will be unable to meet the required contribution rates of the new scheme;

- Operation of the scheme on the principle of “pooling” and “sharing” of risks;
  - Financing of benefits by contributions from workers and employers;

  - Guarantee of the financial soundness of the scheme through regular statutory actuarial reviews;

The successful conversion of the provident fund into a national social insurance pension scheme will provide old-age pension as well as invalidity and survivors’ benefits to the contributing members. In addition, it will reinforce the converted NSSF through improved governance and will thereby strengthen the trust of the Kenyan people in national administration.

NSSF is the mandatory pension scheme that has been operating since 1965 but World Bank(2008) report on the NSSF’s ability to provide adequate old-age income is that as currently designed and managed, NSSF does not adequately deliver on its core mandate to provide basic social security and welfare support to its members. At current calculations,
replacement of pre-retirement income is severely limited because lump sum benefits only amount to two and a half times average wages.

A major part of the problem has to do with the low ceiling on the monthly contributions that workers make to the NSSF. The required contribution rate is 10 per cent of wages divided equally between employer and employee up to a maximum contribution of Ksh400 ($5.30) per month. As a matter of fact, this maximum contribution represents only 1.6 per cent of the average formal sector wage earnings.

And since 1999, members have been allocated an administered nominal rate of return of 2.5 per cent on their account accumulations a rate substantially far below the inflation rate.

Currently, the old-age benefit is paid in the form of a lump sum at the age of 55, with a reduced early retirement benefit that can be provided at the age of 50. Plans to change this so that an employee could be paid half as a lump sum and then the rest as pension on monthly basis for life is underway.

The high cost of administering the fund is another factor responsible for the low benefits that NSSF pays to the retiring workers. Low returns on the investment portfolio have led to low returns being apportioned to members’ accounts. Thus, what the worker gets from the NSSF as retirement income can hardly last him 12 months if he is to maintain his pre-retirement standards of living.

According to World Bank, there have been instances and years when a worker would have made more money if he had invested his pension contributions in a fixed deposit account with a bank than keeping it with the NSSF. It is also plagued by the problem of incomplete records, corruption and political interference.

Inaccurate and incomplete information from employers and the limited capacity of the NSSF to identify the corresponding employee for employer remittances have led to the accumulation of a sizeable suspense account of Ksh6.2 billion ($88.5 million). This is the account to which unidentified contributions are diverted. Unfortunately it is the amount from the so called casual employees from the private sector who never get to benefit from the contributions.
Of the total Ksh6.2 billion ($88.5 million), Ksh3.6 billion ($51.4 million) is from the biggest 200 employers out of a total of 72,000 employers, some of which are not active. In the year 2003, the suspense account stood at Ksh8.4 billion ($120 million).

The main suggestion is a higher ceiling on wages subject to mandatory pension contributions. It is proposed that the contributory ceiling be raised mainly in areas not currently covered by any voluntary retirement scheme, including the informal sector and small firms in the formal sector. An unfortunate impact of such a move will be the crowding out of occupational schemes.

But it can be concluded that there is no other way of providing a meaningful retirement benefit to retirees in Kenya. The only retirees, who earn meaningful benefits, are members of occupational retirement schemes.

3.3.5 Pension schemes

Workers who retire in Kenya are condemned to abject poverty because the pensions paid to the majority are woefully inadequate for providing for their declining years. National Social Security Fund as discussed above attempts to cover all or most workers but still has been insufficient. The only other pension scheme that is representative is the government pension scheme only for the civil servants. There also exist other multiple private occupational pension scheme offered by parastatals to their employees or private insurance companies.

According to World Bank report on the pension scheme, Kenya is a society where the majority is without a secure and reliable source of retirement income, where contributions to pensions are not aligned to old-age income and where pension incomes are not indexed to inflation.

The report says the pensions system in Kenya is more or less dysfunctional since most pensions schemes are unable to guarantee a retiree even one-tenth of the income they earned while they were in employment.

The pension scheme in Kenya is one of the most intriguing phenomena in the labour market in Kenya. Why the majority of workers in the country hang on to their jobs even when they are well past retirement age. Kenya does not have any form of government assistance to the elderly.
Because of the multiplicity of pension’s schemes in Kenya, the total number of citizens living on pensions is difficult to compute. But the research basically relying on secondary material and statistics already in the public domain, a labour force of 15.1 million, 850,000 workers actively contributing to the mandatory National Social Security Fund and 350,000 contributors to occupational pension schemes.

The civil service alone has 158,700 pensioners on its roll. In the year 2005, the National Social Security Fund (NSSF) paid benefits to an estimated 60,000 retirees.

Perhaps the worst affected by the misery of low pension benefits are public service retirees – former civil servants, teachers, employees of the Judicial Service Commission and members of the disciplined forces.

The World Bank report says that, when measured as a percentage of average salaries, about 75 per cent of public servant retirees receive a monthly benefit less than 16 per cent of the average pre-retirement salary while about 50 per cent receive a benefit equal to or less than 8 per cent of their average pre-retirement salaries.

Low monthly pension receipts are, however, not the only problem for civil service retirees. The civil service pension scheme does not provide for portability, the implication being that any civil servant quitting employment early, for instance due to retrenchment, has no chance of continuing with pension contributions. Perhaps this is what gives civil servants in Kenya the incentive to stay on the job even in cases where some of them have found opportunities elsewhere.

Then there is the fact that there is currently no provision for deferred retirement. This situation gives the civil servant very strong incentives for working at least until the early retirement age of 50 — because losing their job prior to that age is simply disastrous.

Worse still, because monthly payments are not indexed to the rate of inflation, the purchasing power of monthly benefits for public servants is gradually eroded by incessant price increases even as the retirees grow older and older.

What remains paradoxical, however, is the fact that despite the overwhelming evidence that the civil service pension scheme cannot guarantee old-age retirement, the World Bank report, in practically the same breath, finds that the system has put the government in a situation
where it is spending far too much of tax revenue on pensions, a clear indication that the current scheme is unsustainable.

The civil service pension scheme is indubitably beginning to prove unaffordable for the government. According to a recent actuarial projection by Government of Kenya, the cost of funded accrued pension liabilities are now equivalent to 25 per cent of GDP — meaning that the liability to pensioners amounted to one quarter of the wealth created in the economy.

Indeed, the projections by the government now are that civil service salaries and remunerations are to rise from 5.2 per cent of fiscal revenues in the year 2004/2005 to 7.8 per cent in the year 2015. That is why the government has over the years been groaning about pensions payments, predicting that civil service pension expenditures were likely to crowd out other essential expenditures in the next decade.

Three solutions can be floated as possible remedies for the crisis of low pension benefits for civil servants. First is the introduction of a completely new pension scheme for civil servants that, while retaining the benefits of the current scheme, will also provide members with the voluntary option of opting out and joining a totally new scheme for civil servants. Second is a fully funded pension scheme where both employers and employees contribute and in which benefits are clearly defined. It is proposed that all new civil servants joining the service after the introduction of the defined benefits scheme be required to join the new contributory scheme.

There are 1,352 occupational pension schemes currently operating in Kenya, established by employers either in the form of a defined contribution or defined benefit scheme. Defined benefit schemes account for 87 per cent of the total schemes. The total assets of occupational schemes stood at Ksh155 billion ($22.1 million) as at June 2005.

Of the total occupational schemes in Kenya, 125 are established by parastatals. The study\textsuperscript{12} also touches on the controversial proposal to introduce a non-contributory social pension that provides benefits to all citizens who have attained a specified retirement age.

\textsuperscript{12}SID: (Society for International Development),(2006) Pulling Apart, Facts and Figures on Inequality in Kenya, Publication
Countries as diverse as South Africa, Mauritius, Bolivia, Namibia, and New Zealand currently have such schemes. But the report’s conclusion is that such a scheme is not feasible for Kenya.

3.3.6 National Health Insurance Fund (NHIF)

NHIF was established on 12th July 1966 by an Act of parliament. Prior to that, there was a discriminative scheme meant to cover Europeans, Arabs and Asians. The Fund's initial objective was to establish a compulsory hospital insurance fund to which all employed person(s) earning Ksh.1000 ($12) or more per month would make contributions out of which benefits towards the healthcare expenses of the contributors and their dependants would be paid.
The current Act\textsuperscript{13} makes provisions for in-patient and out-patient benefits to members. However, currently the Fund only provides for an in-patient cover and is undertaking actuarial

\textsuperscript{13} National Health Insurance Fund (NHIF) Act of 1998 Laws of Kenya studies to determine the feasibility of establishing an out-patient cover for its members. Under the in-patient scheme, NHIF pays benefits to accredited hospitals and health providers in respect of its members(workers) and their declared beneficiaries (spouses and children) who are admitted to accredited hospitals. Benefits payable cater for a fraction of hospitalization daily expenses incurred at approved daily rebate(s), which range from Ksh.400 ($5) to Ksh.2000 ($25).

All workers are supposed to contribute monthly whereby the employers automatically deduct a specified amount of money and forward the same to the insurance fund.

Although bears the term National it only covers workers in the formal employment and leaves out majority of those engaged in informal employment as well as the self employment in both the agriculturally based rural and the informal sector.

3.3.7 Labour Laws

The genesis of labour law and practice can be traced to the 19th century when need arose for the colonial government to pass legislation to ensure adequate supply of cheap labour to service the emerging enterprises in agriculture, industry and in the service sector. Terms and conditions of employment were regulated by statutes and the common law. The law of contract in Kenya was originally based on the Contract Act, 1872, of India, which applied on contracts made or entered into before 1st of January 1961. The Indian Contract Act applied to the three countries Kenya, Tanzania and Uganda . Since then the Kenyan law of contract has been based on the English common law of contract, under the Kenyan Law of Contract Act (Cap. 23), section 2 (1).

In 1950s and 60s, industrial confrontation arose not merely from traditional trade union activities, but also from the movement’s political role in the struggle for freedom from colonial domination, particularly after individual political leaders had been arrested and
placed in detention. On the threshold of independence however, both employers and trade unions, felt that it was vital for the infant nation to make economic progress, that capital and labour should work together in harmony: the incidence of strikes and lockouts had to be drastically reduced.

As a result, in October 1962, a landmark was established with the signing of the Industrial Relations Charter by the government of Kenya, the Federation of Kenya Employers and the Kenya Federation of Labour, the forerunner of COTU (K), the Central Organisation Of Trade Unions (Kenya). The Industrial Relations Charter spelt out the agreed responsibilities of management and unions and their respective obligations in the field of industrial relations, it defined a model recognition agreement as a guide to parties involved, and it set up a joint Dispute Commission.

The Industrial Relations Charter has been revised twice since then, but remained the basis for social dialogue and labour relations in Kenya throughout the years.

With the set up of an Industrial Court in 1964, one additional basic cornerstone was laid for the development of amicable conflict resolution in Kenya. Unlike the ordinary courts, the Industrial Court of Kenya is not mentioned in the Constitution, but was established in 1964 under the Trade Dispute Act (Cap. 234). The purpose of the Court is the settlement of trade disputes. Vide the provisions of section 14, Trade Dispute Act (Cap. 234), the President of the Republic may establish the court, and determine the number of judges (not less than two). Eight members are appointed by the Minister after consultation with the Central Organisation of Trade Unions (COTU) and the Federation of Kenyan Employers (FKE). Whenever it appears to be expedient, each judge appoints two assessors, one to represent employees, from a panel of assessors appointed by the Minister, to assist in the determination of any trade dispute before the Court. The jurisdiction of the Court is exercised by the judge and the two other members. Only in the case that they are not able to agree, the matter will be decided by the judge “with the full powers of an umpire” (section 14 (8) Trade Dispute Act (Cap. 234)).

Labour rights are entrenched in the Constitution whereby in the Articles 70 to 86 of the current Kenya Constitution deals with fundamental rights. Basically the Constitution guarantees fundamental rights and freedoms of the individual. Among these fundamental rights, a range of general principles underpinning labour rights are anchored in the Constitution itself. The Constitution provides for principles, such as the prohibition of