



## ADDRESSING THE YOUTH UNEMPLOYMENT through Big Four Manufacturing Agenda

### Background

Robust manufacturing sectors have been largely associated with accelerated economic development across the globe. As a driver of development, the sector has the potential to stimulate high production and generate employment opportunities for both skilled and semi-skilled labour<sup>1</sup>. Since independence, Kenya like many developing countries in Sub-Saharan Africa has largely depended on Agriculture and the Service sectors as the primary economic development drivers. The manufacturing sector has had minimal contribution to Kenya's GDP with the sector only accounting for 8.4% of the GDP in 2017. However, the government acknowledges the sector as one of its priorities in boosting economic growth and the ultimate realization of the Vision 2030.

Unemployment remains high among the youth with the highest unemployment rate of 19.2 per cent in 20-24 cohort<sup>2</sup>. This is partly attributed to slow economic growth and youth population due to high fertility rates in the past decades. It is estimated that about 43 percent of the Kenyan population is below the age of 15 years, a trend that has translated into increased demand for more job opportunities as more and more young people join the working age. The current youth bulge in the country presents a huge opportunity for the country to accelerate its economic growth and global competitiveness. Kenya's ability to realize the demographic dividend associated with its current youth bulge will be determined by whether its economy can sustainably create sufficient job opportunities to absorb the large number of young people joining the labour market. In addition, the young people must have appropriate knowledge and skills that match the labour market needs.

Revamping of the manufacturing sector through the Big Four Agenda is expected to address the problem of unemployment by generating 600,000 cotton and apparel jobs, 50,000 new jobs from the leather industry, 200,000 SME's jobs (agro-processing) and 10,000 jobs from the construction materials industry<sup>3</sup>. The manufacturing sector has the highest employment multiplier effect compared to all other economic sectors in any economy. Each 1000 jobs in the manufacturing sector generates an additional 291 jobs in other sectors of the economy compared to 154 jobs in business services<sup>4</sup>. In addition, manufacturing sector creates a multiplier effect as manufactured products worth

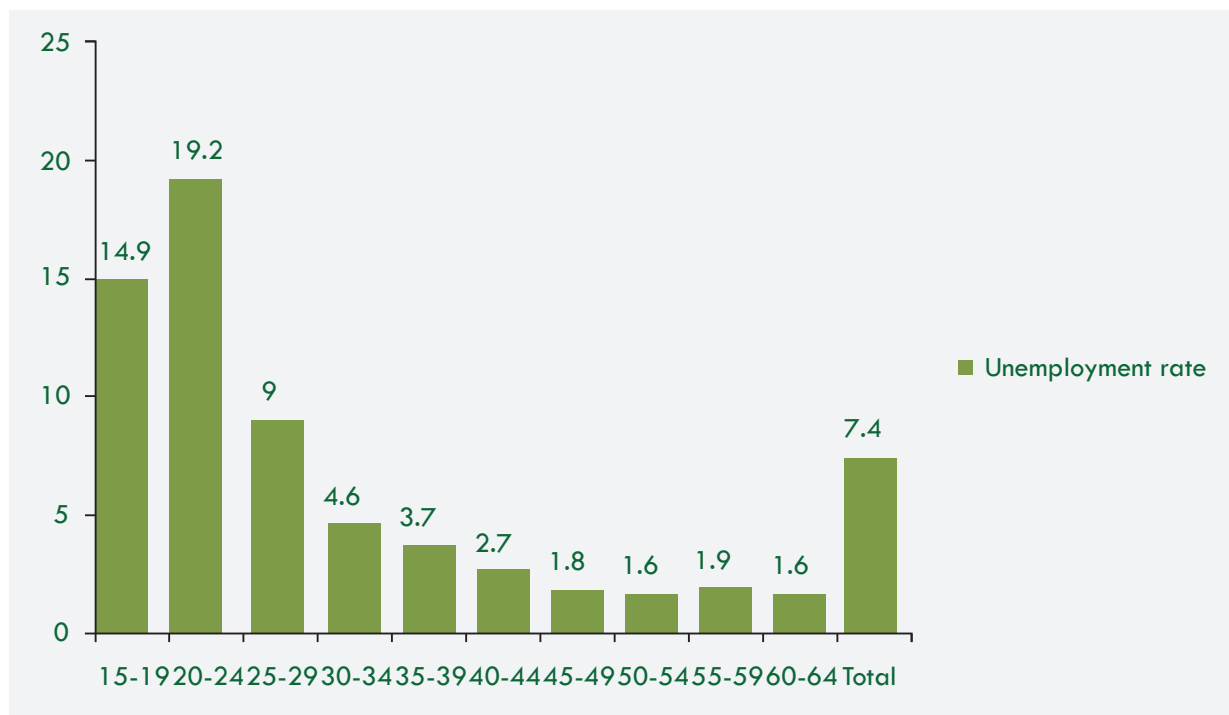
\$1 were shown to create \$1.34 in the rest of the economy<sup>5</sup>. As such, the focus on spurring the manufacturing sector as part of the Big Four Agenda will not only generate jobs for the young people but also accelerate the Kenya's economic growth.

### Current Situation

According to the 2015/16 Kenya Integrated Household Budget Survey, there were about 25 million Kenyans in the working-age bracket (15 to 64 years) in 2016. This is projected to increase to 28.5 million by 2020. Out of 25 million people about 5.6 million working-age were economically inactive<sup>6</sup>. Notably, nine in every 10 unemployed (85 per cent) Kenyans fall below the age of 35 years with the largest unemployment rate was recorded in the age cohort 20-24 at 19.2 per cent (See figure 1). Such statistics underscore the gravity of the Youth unemployment issue in the country.

The country continues to lose out of the potential to grow its economy with estimated 3.7 million or 20.4 per cent of the employed persons in the working-age population being under-employed. This implies that a large percentage of young people working in informal sector are available to work for more hours but lack the opportunity.

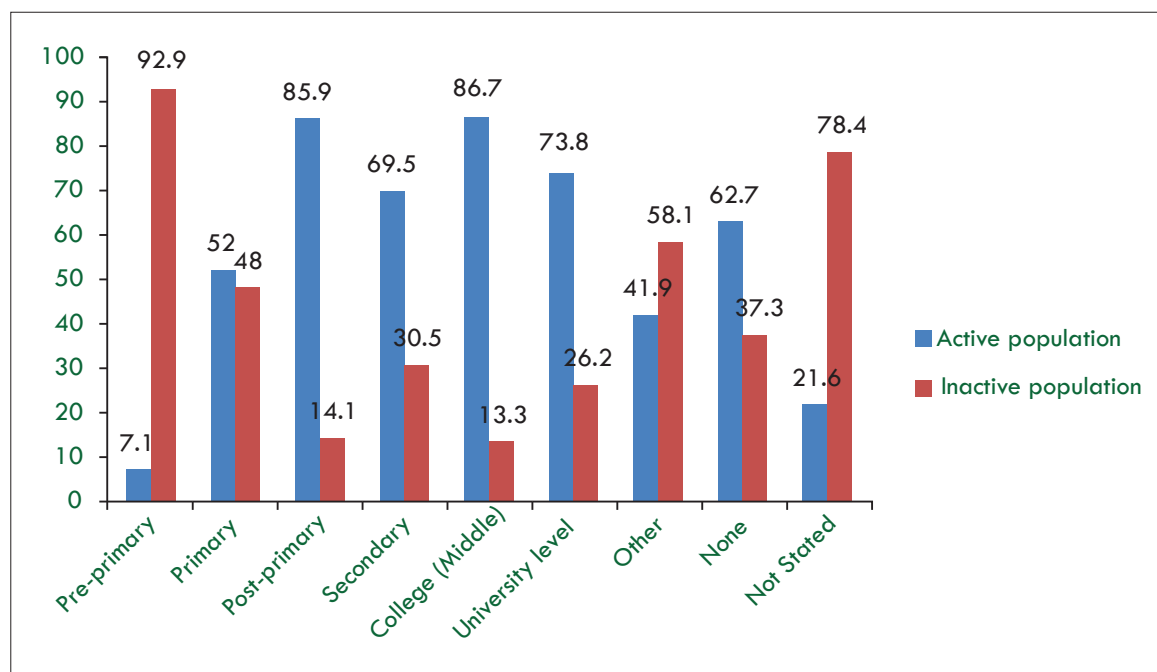
**Figure 1: Unemployment Rate by Age Group**



Source: KNBS 2015/16 Kenya Integrated Household Budget Survey: Labour Force Basic Report:

The magnitude of Youth unemployment is also highlighted by the significant percentage of youth with college (13.3%) and University (26.2%) as their highest level of education that are economically inactive (See Figure 2). This is a pointer to the quality of education and the ability of the existing institutions of higher learning to equip scholars with skills that match labour market among other contributing factors.

**Figure 2: Proportion of Persons Economic Activity status by Highest level of Education Reached**

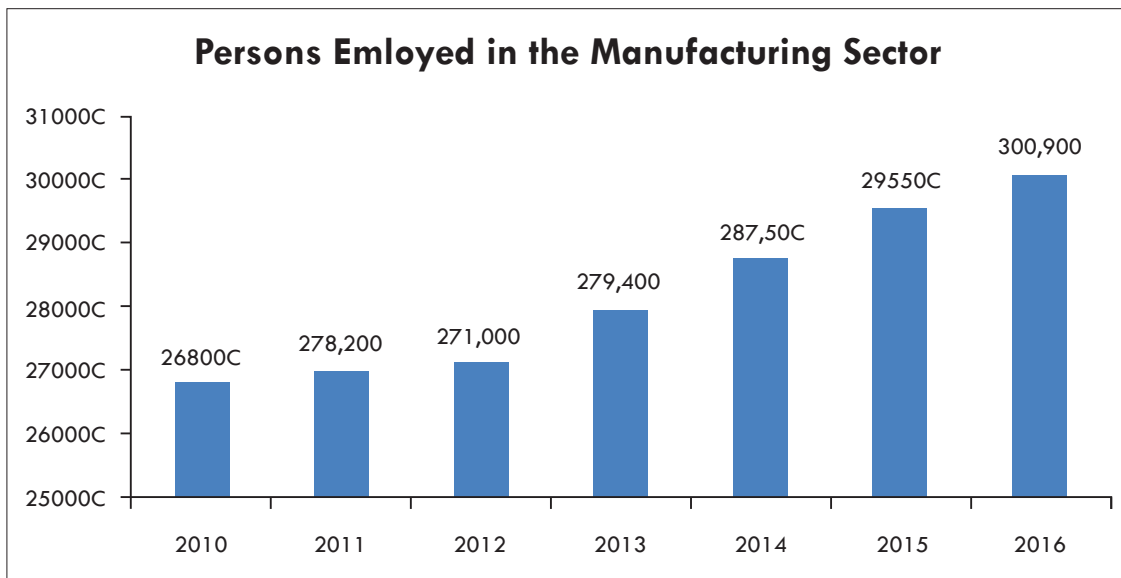


Source: KNBS 2015/16 Kenya Integrated Household Budget Survey: Labour Force Basic Report

## The Manufacturing Sector Contribution To Employment

The manufacturing sector recorded an estimated employment growth rate of 1.8% (300,900 people) of about 2.55 million wage employment in 2016 up from 11.9% (295,500 people) of 2.48 million wage employment in 2015<sup>7</sup>.

**Figure 3: Persons employed in the Manufacturing Sector 2010-2016**



Source: Kenya Association of Manufacturers. (2018)

However, the share in formal employment contributed by the manufacturing sector has declined marginally in recent years despite the not increase in absolute number of number of people employed in the sector.

## Factors Contributing to Youth Unemployment

Efforts to confront youth unemployment can only succeed if guided by a clear understanding of underlying factors. Whereas the high youth unemployment can be largely attributed to slow economic growth, there exists a myriad of contributory factors including the large youth population, lack of skills that match the job market needs, limited opportunities for decent jobs, limited access to capital and preference for white-collar jobs. Despite the increased investment in the education sector, there is little focus on development of skills that match the labour market needs. This has been further aggravated by the overemphasis on job experience in the few job opportunities available and the limited apprenticeship schemes. Although, significant effort has been garnered towards promoting technical and vocational skills development, past glorification of academic excellence has left many youth without employability skills. Young people have also cited issues of governance such as corruption and nepotism as some of the contributors to their unemployment<sup>8</sup>. The lack of real-time information on the available job openings in the different sectors have left many young disadvantaged. Kenya has the potential to generate formal jobs in low value-added manufacturing especially for the low skilled youth<sup>9</sup>.

In the past, manufacturing sector has not been given the priority it deserves given its potential to create employment opportunities in the economy.

The Government of Kenya from 2018 embarked on implementing the Big Four Agenda which includes expansion and strengthening of the manufacturing sector and this will go a long way towards addressing youth unemployment. Several initiatives to create employment for the youth have been initiated, however, the biggest challenge has remained the lack of review or evaluation of such initiatives to determine their effectiveness in addressing youth unemployment. In addition, measures to be taken to formalize the *jua kali* sector and cottage industries have had the limited success. As such, it is critical for policymakers and key stakeholders to adopt “business unusual model” as the implementation of the manufacturing agenda commences to ensure that the agenda contributes significantly to the governments efforts to address youth unemployment.

## Strategies to Address Youth Unemployment

### Regulatory Strategies

Evidence has shown that apart from the direct job opportunities estimated to arise from the investment in the manufacturing sector, the ripple effect of the sector is expected double the opportunities in form of indirect income generating activities. The government should therefore adopt policies that prepare the youth to take up such opportunities this includes interventions to ease the process of establishing and operating businesses by the youth such subsidies for business licensing fees. It is evident that Mexico reported a 2.8% increase in employment through reduction of the red tape and taxes for businesses<sup>10</sup>. Small businesses are the primary engine for job creation in developing countries with

small businesses (employing 5 to 19 workers) having the highest employment growth rates<sup>11</sup>.

Such regulations combined with capacity building of the youth on business start-ups and management will ensure that the youth maximally benefit from the job creation goal under the manufacturing agenda.

## **Development and Implementation of a Youth Employment/Mainstreaming Strategy**

As strategy specific to the sector will ensure that the government embraces a sustainable and coordinated approach in addressing youth unemployment through the manufacturing agenda in the next 4 years. This would require development and implementation of a comprehensive youth employment strategy by the sector. Therefore, the government and key stakeholders in the manufacturing sector should come together and prioritize youth unemployment as one of the goal in the strengthening of the manufacturing sector.

## **Skills Development and Apprenticeship**

As the Government embarks on implementation of the Manufacturing Agenda, deliberate efforts in the area of skills development and apprenticeship are necessary to ensure that the youth are prepared to take up the job opportunities to be generated by the sector. Key to this is efforts to align people's skills with the skill demands in the manufacturing sector. This will address the issue of high number young people with middle college and University level who are unemployed. Therefore, this calls for government training institutions such as NITA, private sectors skills providers, and key stakeholders in the manufacturing sector to collaborate in order to ensure that young people have relevant skills to the sectors. This should also include efforts to promote job-specific skills training as part of the strategies to align the young people with the evolving skills demand in the manufacturing sector. The government should establish a scholarship program targeting vocational training institutions to encourage

young people particularly those who do not secure placements in universities to enrol for technical courses that are relevant to the manufacturing sector. Manufacturers should partner with vocational training institutions and universities and participate in careers advice events to drive awareness among the young people.

## **Real-Time Job Opportunities' Information Platform**

The youth can only benefit from the manufacturing agenda if they have real-time access to information about the available job opportunities in the sector. The ICT Ministry should establish a centralised job opportunities portal and work around the clock to obtain and update job opportunities from all sectors. The portal should also provide deep real-time analysis on patterns and trends in labour market demand to support career counselling, skills matching and deployment of government training resources.

## **Conclusion**

The challenge of youth unemployment requires a multi-sectoral approach involving all sectors in the economy. However, the Big four government agenda and particularly the manufacturing sector presents an opportunity to accelerate efforts to reduce youth unemployment in the country. This brief recommends the need for the government to make deliberate effort to ensure ease in access to capital and reduce barriers to business start-ups by the youth, development and implementation of a youth mainstreaming strategy for the manufacturing sector, collaboration among training institutions and employers to address the issue of job market skills mismatch and promote apprenticeship, provide scholarships to promote vocational and technical skills development, and establishment of a real-time centralized job opportunities information platform run by the relevant government agencies.

NCPD is a semi-autonomous government agency that formulates and Promotes population policy and coordinates related activities for sustainable development in Kenya.

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