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Assessment of Productive Employment Policies in Kenya

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Abstract

This paper documents and assesses productive employment policies in Kenya. The main objective being to reflect on the current state of affairs, identify constraints and gaps among these policies. The paper is mainly based on desk-top research which reviews available literature and policy papers on employment in Kenya since independence in 1963 in order to determine how these policies have impacted on productive employment in Kenya.

The paper argues that the primary challenge in the labor market in Kenya is not unemployment per se but rather lack of productive employment and decent work among the poor population given that most of the population works in the informal sector. This population working in the informal sector tends to be vulnerable and has low productivity and low earnings, which effectively undermine the efforts for inclusive and sustainable growth. We use the framework related to productive employment to document and analyze different policies. While employment creation has been central in all government policies, the focus has largely been on increasing the number as opposed to the quality of employment creation. It is for this reason the informal economy has remained the main contributor of employment opportunities. Apparently jobs in the informal sector tend to be largely casual, temporary, low wage, and without effective job security.

The Agriculture and Manufacturing sectors have potential for creating employment but again the nature of jobs in these two sectors remain largely casual which compromises on productive employment. To promote productive employment, these sectors require increased funding and establishment of stakeholders' consultative forums. There is also the need to attract FDI most of which come with better terms of employment compared to indigenous investments.

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1. INTRODUCTION

Background

Work plays a fundamental role in people's lives. It is not only a critical source of income, but it also empowers people, gives them a sense of purpose and strengthens social cohesion. Decent and stable work provides the security necessary for individuals and their family members to thrive in society. In fact, labour is often the only asset available to the poor, with the earnings providing the main path out of poverty. Generating productive employment opportunities for vulnerable groups of society is therefore essential to promote inclusive economic and social development. There is a growing consensus that employment should be viewed as a central policy objective, rather than as a by-product of the economic process. Although strong and sustained economic growth is necessary to create more and better jobs, the relationship is not always straightforward. The type of growth also matters. Growth concentrated in employment-intensive sectors and in areas where the poor and vulnerable live is likely to yield large development payoffs. Therefore, it is important to assess where progress has been made and to identify key opportunities and obstacles to the creation of productive employment.

Decent work entails absence of coercion in the work place with no slavery and child labor; it also entails equity in the work place, decent working hours, job security that is health, pensions and security against job loss and dignity of work (Anker et. al. 2003; ILO 2012). The wide employment-to-population gap, high levels of unemployment and underemployment, vulnerable employment and the working poor seriously undermine the efforts in improving inclusive and sustainable growth, employment and decent work for all as envisioned in the global agenda 2030 for sustainable development. Vulnerable employment on the other hand relates to precarious working conditions and the persistence of underemployment – that is the inability to derive a decent income from labour, because of either low wages or limited working hours. This tends to be common in self-employment and informal sectors. Vulnerable employment is therefore a key obstacle to reducing poverty.

Kenya has experienced prevalence of high levels of unemployment and poverty rates. The income poverty particularly is one of the main challenges to development. As at 2014, Kenya had a population of 43 million and an average growth rate of one million people per year, which translates to 2.5 percent per annum (ILO, 2015). In addition, nearly half of the population in Kenya lives below the poverty line (that is less than US$ 1.25 a day). The high rate of population growth has led to high levels of dependency ratio in the country. Most households in Kenya are characterized by high dependency especially among rural dwellers, persons with disability, women, youth and informal sector workers, with large regional disparities between rural and urban areas (ILO, 2015). The total labor force in Kenya is estimated at 18 million people with 75 percent being in agriculture and 25 percent in industry and services sectors (CIA, 2015). Youth accounts for the largest proportion of the population, but the unemployment rate among the youth are extremely high.[1] While the youth accounts for nearly 45 percent of the labour, unemployment among this segment of the population remains high, estimated at 37 percent, which is higher than the overall unemployment estimated at 23 percent (Republic of Kenya,

[1] In Kenya, a person is defined as a youth if they are between 18 and 35 years of age (see Kamau and Wamuthenya 2017).

2017). Labor force participation rate is estimated at 67 percent with the level of male and urban population having a high participation rate compared to female and rural population, respectively (Republic of Kenya, 2015). Unemployment[2] and underemployment[3] in Kenya is estimated to be around 40 percent in 2013 (CIA, 2015).

Creating productive employment in Kenya requires implementing enabling policies. In addition, there is need for structural transformation[4], which entails uplifting various economic sectors that drive growth and employment. Employment creation and structural transformation have actually been fronted as some of the major challenges currently facing Sub-Saharan countries (Kingombe and Velde, 2013; Mcmillan et al. 2014). However, according to the African Development Report (2015) structural transformation in Kenya has contributed little to growth because majority of workers leaving the agricultural sector are absorbed into the service sector where productivity is comparatively low. This result in the share of agriculture in the Kenyan economy declining at the annual rate of -0.66 %, compared to that of the manufacturing sector which decline by an annual rate of -0.71%. As a result, the contribution of the agricultural sector to the GDP dropped from 29.24% in 1991 to 26.33% in 2016. On the other hand, there has been positive annual growth rate in trade and transport (the two components of the services sector) at 0.91% and 2.66% respectively over the same period (Oyeyinka and Lal, 2016).

Special Economic Zones (SEZ) and Export Processing Zones (EPZs) have been cited as key avenues for creating productive employment creation. In Kenya, where the share of SEZ in manufacturing is only 15%, then this sector may not be able to absorb all the labour that is being released into the labour market. The Export Processing Zones (EPZ) has been credited with creating 40,000 jobs, which comprises 1.5% of total formal employment, and a 20% manufacturing labour (Kingombe and Velde, 2013) which is considered low.

In developing countries the fundamental importance of productive employment for increasing living standards and reducing poverty is today well understood. Productive employment provides the key linkage between economic development and poverty reduction and, together with social protection, offer the main vehicles for reducing poverty. At the same time, there is an increasing awareness that economic growth does not always bring about productive employment and poverty reduction. There is no constant or invariant relationship between economic growth on the one hand and productive employment creation and poverty reduction on the other. The recognition of the importance of productive employment and decent work, both in its own right and as a vehicle for poverty reduction, was also firmly manifested in the adoption in 2008 of a new target to *'Achieve full and productive employment and decent work for all, including women and young people'* under the Millennium Development Goals (MDGs) to eradicate extreme poverty and hunger.

Productive employment is defined as employment yielding sufficient returns to labor to permit the worker and her/his dependents a level of consumption above the poverty line. Productive employment is part of the concept of decent jobs, and an essential factor for poverty reduction.

[2] A situation where someone of working age is searching for a job but is not able to get one.
[3] A situation in which productivity and earnings of workers is so low such that workers are unable to make a decent living during their day to day activities, or work that does not utilize the skills, education and experience of workers.
[4] The reallocation of economic activity across the broad sectors of agriculture, manufacturing and services

Consequently, the first indicator for the monitoring of the new employment target of the Millennium Development Goals is the growth rate of GDP per person employed. This indicator can be used to determine whether, in the long term, economic conditions in a country can generate and maintain decent job opportunities with fair and equitable remuneration. Access to productive employment is essential for inclusion of the poor in society. Productive employment does not only provide the poor with better incomes, it also stimulates learning and skills acquisition (World Bank, 2013) and participation in society. The insight that poverty reduction and social inclusion are linked to economic development via improved job creation and productive employment represents an important shift in our thinking about socio-economic development (see Kremer et al., 2009). Economic growth may create productive employment by means of a combination of rapid growth of output, optimal utilization of abundant labor, innovation and upgrading and productivity increases. Structural change, i.e., shifts of employment between sectors, may promote productive employment by a shift towards more dynamic and high productivity sectors that can absorb labor and provide jobs of better quality.

In Sub-Saharan Africa, underemployment is rampant especially in agriculture and in the informal sector. While agriculture remains the largest employer, it offers vulnerable jobs, meaning long hour shifts, casual contracts, and lack of social protection. Moreover, given the low levels of productivity, it usually manifests into small-holder and subsistence farming. The informal sector is a typical urban phenomenon (contemporary demographic theories have shown in fact that urbanization is not necessarily driven by economic growth and industrialization), which is now taking roots also in rural areas. It often takes the form of self-employment and family business for the provision of services, which represent the fastest growing sector within the region. Jobs are vulnerable here as returns are uncertain and relationships between employer and employee may violate basic workers' rights. There is however, a large and skewed variation in the informal sector, with a minority of workers and entrepreneurs showing potential and a majority of workers that merely manage to survive.

Research Problem and Objectives

In Kenya, many policies have been put in place since independence in 1963 with an objective of creating employment and stimulating development. Inspite of these many policies, their impact in creating productive employment is mixed. This paper fills this knowledge gap by documenting the nature and processes of creating productive employment policy in Kenya. The main objective being to reflect on the current state of affairs and identify constraints and gaps in the policies. The paper focuses on underemployment rather than unemployment because a large number of the population works in the informal and agricultural sector where jobs are not only vulnerable[5] but have low productivity and low earnings. This triggers the need to shift focus from quantity of jobs to quality of jobs in Kenya. The primary challenge in the labor market in Kenya is not unemployment but rather productive employment and decent work among the poor. The notion decent work completes the definition of productive employment by adding conditions of work to the definition.

This paper therefore seeks to achieve the following objectives (1) to reflect on the current state of affairs with regards to employment in Kenya; (2) to identify constraints and gaps in the

[5] Work that is unstable, has uncertainty in the levels of return and lacks any formal relationship between employer and employee

employment policies, and (3) to contribute to evidence-based policy debates on productive employment. This paper starts by presenting a discussion on employment status in Kenya, which is followed by a conceptual framework related to productive employment. The next section analyses policies related to productive employment in Kenya followed by a conclusion.

2. EMPLOYMENT STATUS IN KENYA

Unemployment and underemployment are the biggest challenges faced by the labor market in Kenya (Republic of Kenya, 1969; 1983; 2008a, 2008b). The Development Plan 1970-1974 identified four types of unemployment[6] in Kenya, namely, "urban unemployed, rural unemployed, educated unemployed and underemployed, (Republic of Kenya, 1969). Unemployment rate is defined as the ratio of labor force currently able and willing to work but cannot find opportunities to the total labor force. The main cause of unemployment according to the Plan were high labor force growth rates, use of modern capital-incentive technology and increase in labor productivity accompanied by higher wage and salaries which prompt use of labor saving techniques in production. The 1970-1974 Development Plan linked the causes of unemployment to lack of skills due to inadequate training of workers, limited productive resources, rapid expansion in school enrolment, skill miss-match as well as rural urban migration.

Contrary to the Development Plan of 1970 -1974, the Report of the Presidential Committee on Unemployment in 1982 and the Session Paper No. 2 of 1985 on unemployment, attributed unemployment in Kenya to lack of access to income earnings opportunities in both waged employment and self-employment. The major causes of unemployment in this case were rapid growth of the labor force, low economic growth rate, job selectiveness, skill differences, seasonality of some industries, use of inappropriate technology and failure of development programmers to focus on sectors with high employment potential.

In 2008 however, the Sector Plan for Labor, Youth and Human Resource Development Sector (2008-2012) contended that unemployment in Kenya was both structural and frictional in nature. This Plan attributed unemployment to slow economic growth, weak absorption capacity of the labor market and skill-mismatch thus making consisted remarks with preceding plans. Imperfect flow of information, as well as inherent rigidities in the country were also highlighted as major causes of unemployment in Kenya.

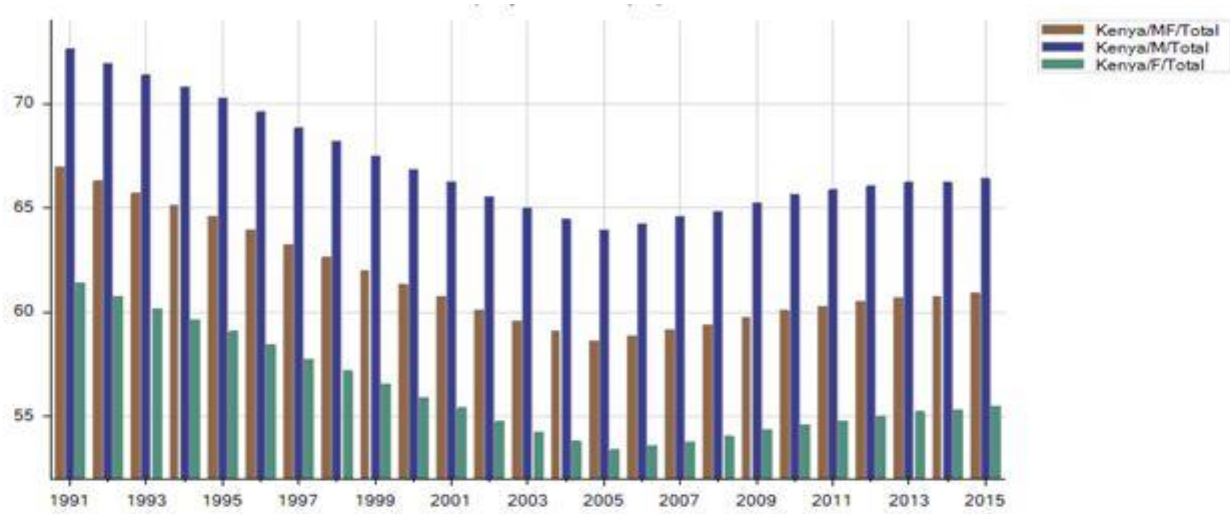
In this paper, we classify unemployment into urban unemployed, rural unemployed, educated unemployed and underemployed (see also Institute of Economic Affairs 2010). The main ones with regard to Kenya include: structural unemployment, frictional unemployment, seasonal unemployment, cyclical unemployment and unemployment due to wage rigidity. The ratio of employment to population is defined as the "proportion of a country's working-age population that is employed" (ILO, 2015b). A high employment-to -population ratio indicates that majority of the population in a country is employed whereas a low ratio indicates that a small portion of the population is engaged in the labor market thus majority of people are unemployed.

Figure 3 shows employment-to population ratio of both men and women in Kenya for the period 1991 to 2015. We observe that, the employment-to -population ratio of men is generally higher than that of women. This indicates that men are more likely to be employed than women. Furthermore, its highest value being in 1991 at an average of 67 with the ratio of women at 61.4 and for men at 72.6, its lowest value being in 2005 at an average of 58.6 with the ratio of women

[6] Consists of those who have zero incomes or work zero hours and who are seeking jobs, but are unable to find them

at 53.4 and that of men at 64. From figure 1, one can observe that the rate at which the economy absorbs the labor force is rather low at 60.9 compared to 67 in 1991.

Figure 1: Trend in Employment-to-population Ratio 1991 – 2015



Source: International Labor Organization, Key Indicators of the Labor Market database

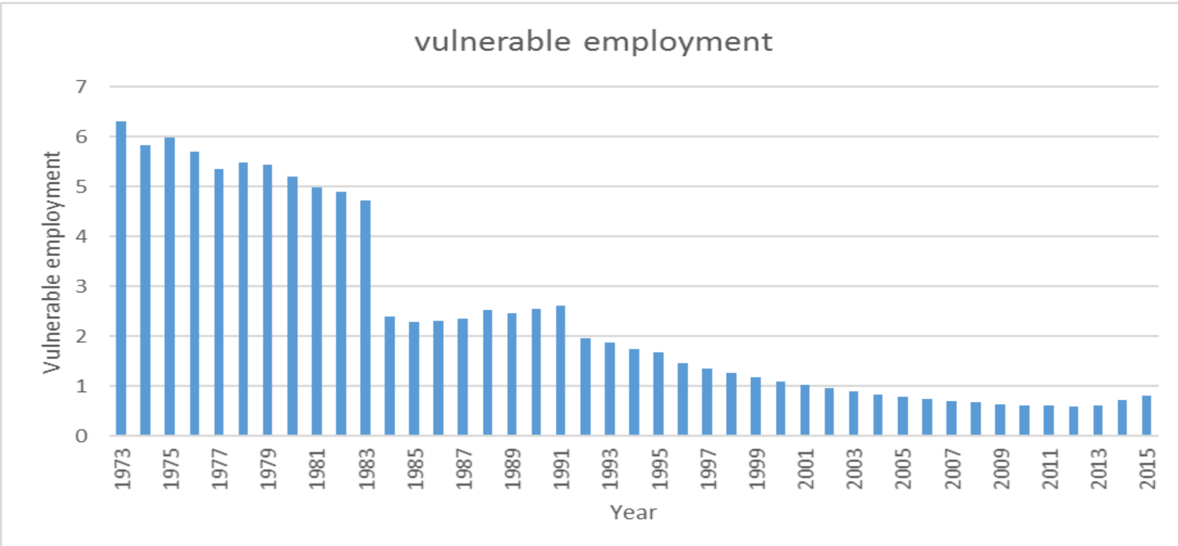
The implication of the above analysis on employment- population ratio in Kenya is that, taking into account creation of new jobs and job chumming over the years, the rate at which jobs were created was lower compared to labor force growth rate. This therefore means job seekers, those who are new in the labor market and those who are unemployed remained out of employment for a long time thus causing decline in employment- population ratio. In the 1970s, the percentage of men in employment ranged between 85-82%, with women participation being between 15-18%. This improved slightly in the 1980s with women participation increasing to 22%. By 1990s, percentage of women in employment had risen to 29% and as at 2014; this had risen to 37% with male dominance dropping to 63% (Government of Kenya, 2015).

Vulnerable employment

According to ILO (2009), vulnerable employment rate is used to measure the more vulnerable status of employment that is own-account workers and contributing family workers. The status of employment is categorized into own-account workers and family workers. Own-account workers are workers who work on their own account or in conjunction with one or more partners a job better known as self-employment job; these workers may employ other workers but not on a continuous basis. Contributing family workers on the other hand are "workers who hold a self-employment job in a market-oriented establishment operated by a related person living in the same household". These workers are distinguished from partners because of their degree of commitment in terms of working time or other factors. However, the requirement of *"living in the same household"* may be eliminated when young individuals work without pay in a enterprise operated by a relative person but they do not live in the same household (Hoffmann, 2003).

Vulnerable employment rate is calculated as “sum of own-account and contributing family workers as a proportion of total employment” (ILO, 2009). Using data from various economic surveys in Kenya between 1973 and 2015, vulnerable employment in the modern sector in Kenya is calculated as shown in Figure 2. These are workers engaged in both agricultural and trade activities. Vulnerable employment is observed to be relatively low, with its highest value at 2.6% in 1991 and the lowest value at 0.6% in 2012. Generally, the proportion of workers who lack formal work arrangements and lack access to decent employment is small in the modern sector.

Figure 2: Vulnerable employment

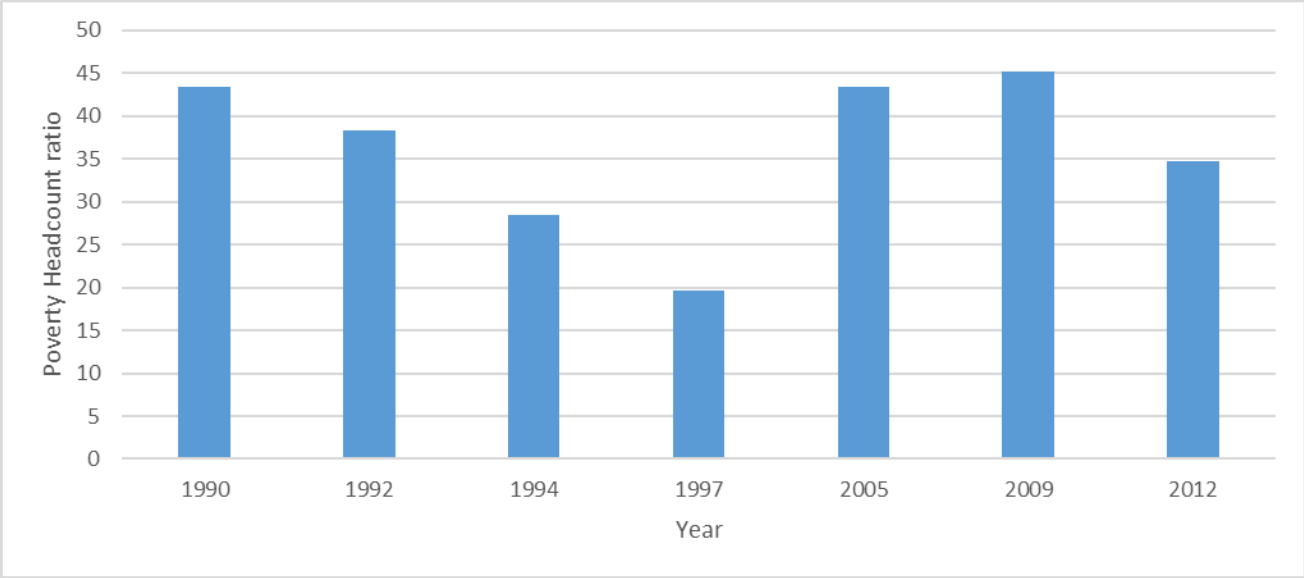


Source: Authors computations based on various Economic Surveys (Kenya) (1973-2015)

We also observe that the share of self-employed and unpaid family workers in the formal sector has decreased over the years. This implies that most of the labor force in the formal sector has formal work arrangements, decent work conditions, adequate social security and effective representation through trade unions and other organizations.

A major cause of vulnerable employment in Kenya has been poverty. Kenya has experienced high incidences of poverty especially in the period 1990 – 2012 when nearly half of the population was living below the poverty line (Figure 3). As such, the development of the Poverty Reduction Strategy Paper (PRSP) in early 2000 and the Economic Recovery Strategy (ERS) aimed at addressing the escalating poverty levels.

Figure 3: Trend in Poverty Headcount Ratio



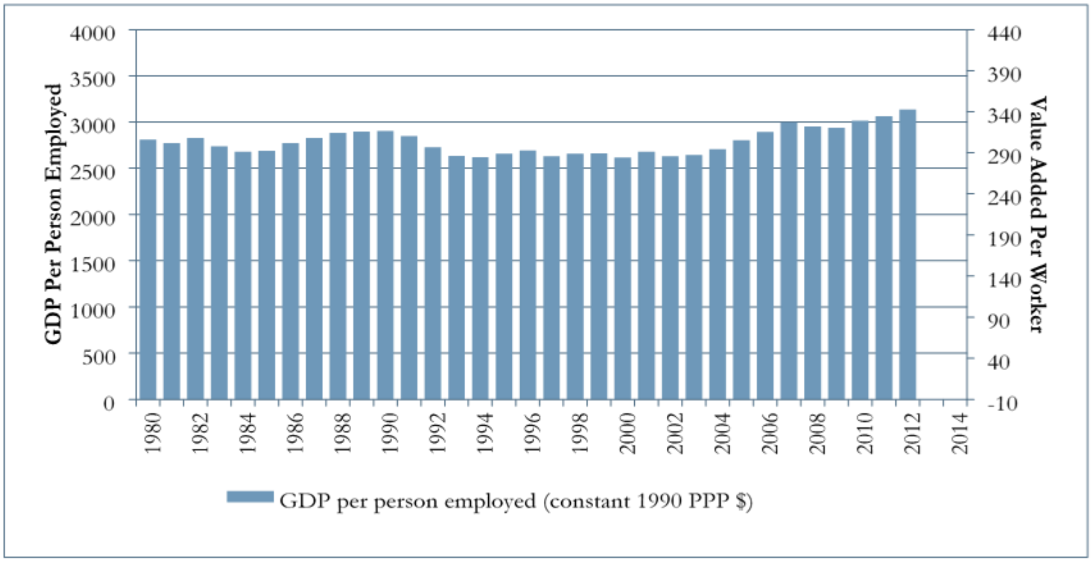
Source: International Labor Organization (2015)

Labour Productivity

Labor productivity is defined as the amount of output produced per unit of labor input (ILO, 2009). It is used as an indicator to establish the ability of an economy to create as well as to sustain decent employment opportunities and fair and equitable remuneration. In Figure 4 we show that an overall increasing trend of labor productivity in Kenya over the years.[7] Increase in productive growth in the country is attributed to improvements in education attainment over the years. According to Barro and Lee (2010) education attainment has increased over the years from 0.3 years in 1960s to 6.5 years in 2010. This is mainly driven by expansion of tertiary education in the past two decades and increase in attainment in primary education by 47.8 percent compared to secondary education attainment at 7.9 percent and 2.8 percent in tertiary education.

[7]Labor productivity in this case has been calculated using, GDP in constant 2011 international dollars in purchasing power parity based on World Bank development indicators and ILO estimates for total employment rate.

Figure 4: Labour productivity in Kenya

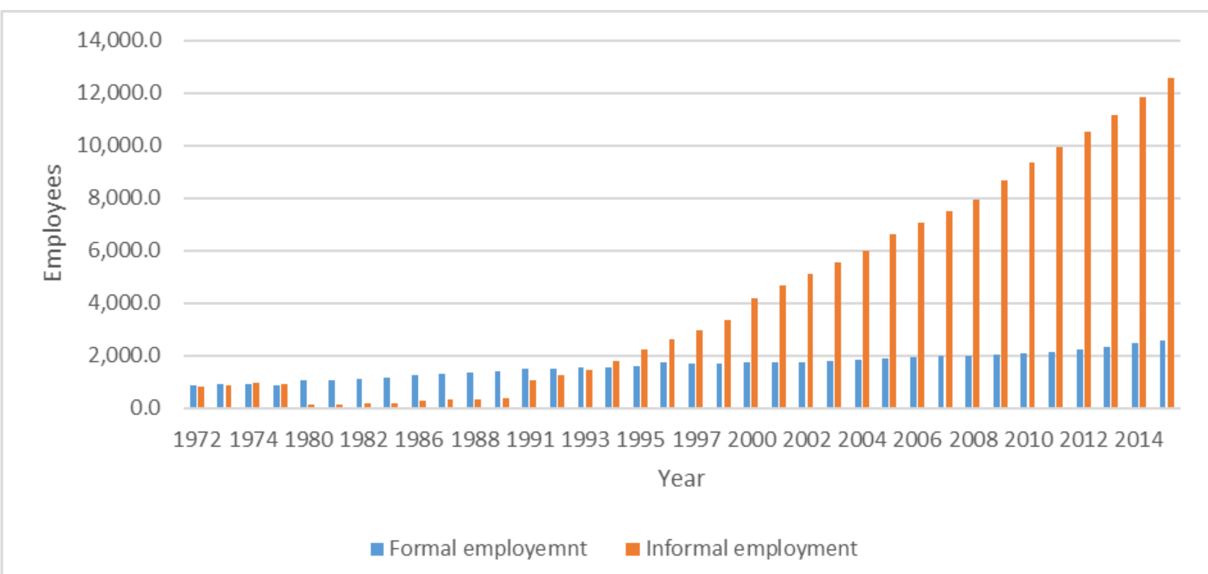


Source: Authors computations World Bank (2015)

Working Poor

ILO (2009) defines working poor as workers living in a household where the members are considered to be below the poverty line (that is less than US$ 1.25 a day). The proportion of people living below the poverty line in Kenya decline from 43.4% in 1990 to 19.6% in 1997 but later increased to 45.2% in 2009. However, in 2012 there was a slight improvement since the poverty headcount ratio declined to 34.8% as shown in figure 5.

Figure 5: Formal and Informal employment in the county



We can observe that employment in Kenya has progressively become informal while formal employment has remained constant over the years. This can be attributed to the failure of the Structural Adjustment Programs (SAPs) to achieve its objectives in 1980s and increase in globalization in 1990s, which facilitate growth in informal sector.

From this analysis, it is clear that Kenya faces a great challenge in promoting productive employment. In particular employment-to-population ratio and share of working poor points at the need for creating policies to promote and sustain decent job opportunities. Despite vulnerable employment rate being low, the ratio of informal workers' in country is very high. Since informal workers are also exposed to fluctuations in earnings and lack formal relationships with their employers it is safe to conclude vulnerable employment rate in the country is over 82.8%. Thus, policies need to be implemented to increase access and quality of jobs in the country.

3. CONCEPTUAL FRAMEWORK FOR PRODUCTIVE EMPLOYMENT

Three main concepts crucial to this study include productive employment, vulnerability, and underemployment. As mentioned earlier, productive employment is defined as "employment yielding sufficient returns to labor to permit workers and their dependents a level of consumption above the poverty line" (ILO, 2009). According to Szirmai et al. (2013), productive employment entails three dimensions: remuneration, stability of employment and working conditions. Based on the ILO (2009) definition, to term a worker as productively employed depends on their level income from labor, intra-household dependency ratio, the labor income of other household members as well as income from other non-labor activities. In 2009 ILO introduced millennium development goals productive employment indicators which include, the growth rate of labor productivity, employment to population ratio, proportion of employed people living below the poverty line, proportion of own account and contributing family workers in total employment. This is referred to as the vulnerable employment rate.

Vulnerability is a major component of unproductive labor (Szirmai et al. 2013). The concept vulnerability, a characteristic of informal sector, refers to any work that is; unstable, work that has uncertainty in the levels of returns and lacks any formal relationship between employer and employee.

Underemployment refers to work that does not utilize skills, education as well as experience of workers, (Szirmai et al. 2013). In development economics, underemployment is described as a situation in which productivity and earnings of workers is so low such that workers are unable to make decent living during their day to day activities thus forcing them to work extra hours so as to survive.

Productive employment depends on changes in the productive capacity, economic structures as well as on associated policies. It is the foremost responsibility of the government to devise national development policies for quality job creation. Policies provide incentives for efficient use of labor resources and enhancement of productive capacity of the work force. Policies encourage innovation and technological advancement. Employment policies in a country should ideally be part of industrial policies, innovation policies and economic policies that not only encourage economic development but also productive employment creation. However, these policies should be supported by institutional changes that trigger economic activity as well as relationships in employment. This can be achieved through implementation of employment laws and strengthening of relationships between informal and formal sectors and between economic leaders and the labor force (Szirmai et al 2013).

The adaptation of global employment agenda by ILO in 2013 developed four strategies for employment namely: economic development, social justice, productive employment and decent work. The policies that would support the achievements of these strategies are classified into; (1) policies for addressing the economic environment such as " trade, investment, innovation, policies for sustainable development and macroeconomic policies for growth and employment," and (2) policies that affect the labor market directly such as "policies for entrepreneurship, employability by improvement of knowledge and skills , active labor market policies, minimum wage policies, social protection policies and productive employment policies.

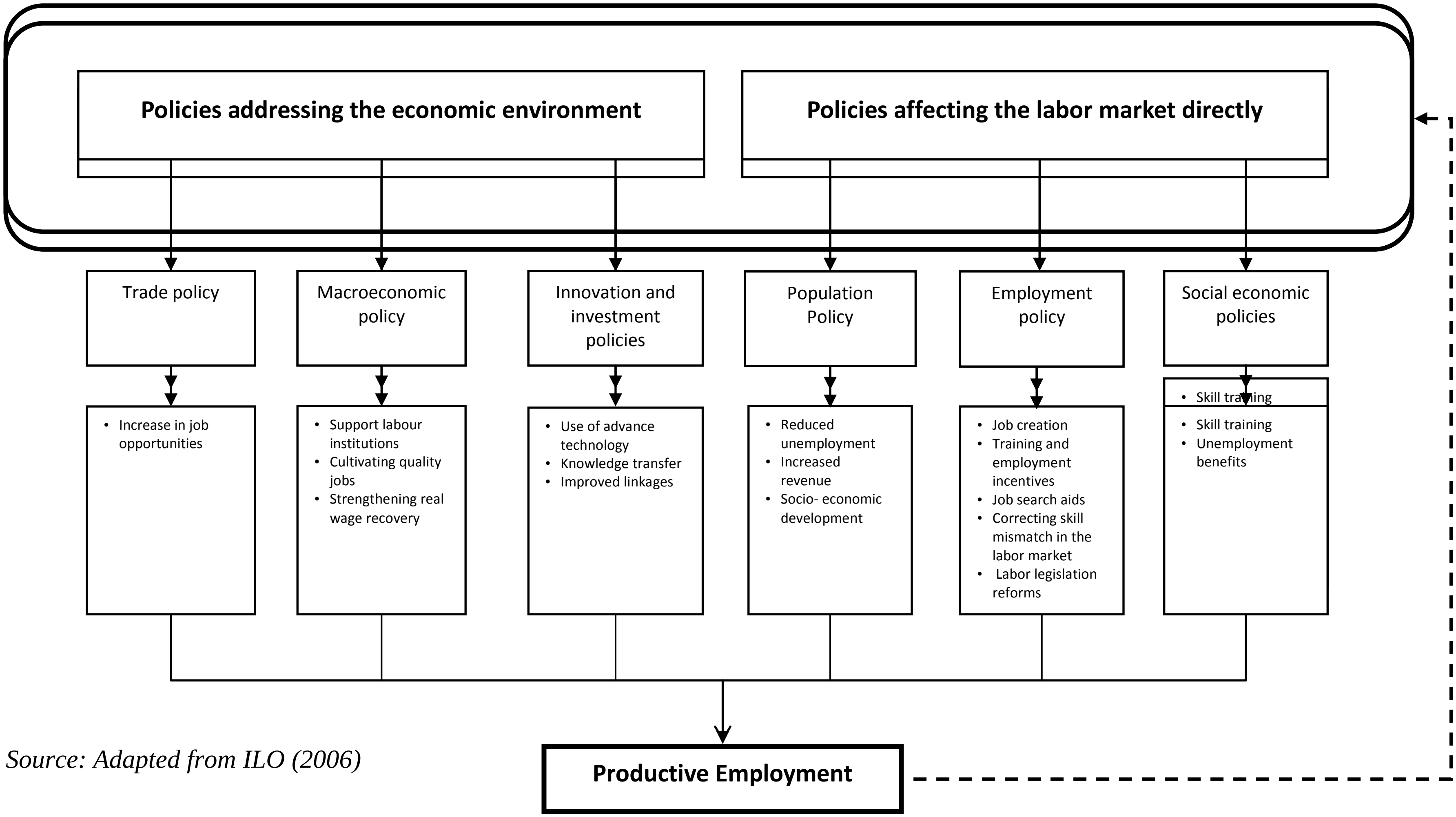
Policies addressing the economic environment not only lead to increase in productive jobs, but also cultivates quality jobs, strengthen real wage recovery, improves linkages and knowledge transfer between different economic agents and supports labor institutions (Damill et al., 2011; Marti & Ssenkubuge, 2009). On the other hand, policies that address labor market support programs enables, job creation in both the private and public sectors, training and employment incentives, job search aid and education system in order to correct the skill mismatch and labor legislation reforms. These policies also regulate the supply of labor by controlling the level of fertility and the rate of rural urban migration.

Improving access to productive employment is critical for inclusive growth in the society. Productive employment not only leads to increase in the level of incomes in the economy, but also motivates skills acquisition and labor participation (World Bank, 2013).

Productive Employment Framework

Figure 6 shows productive employment framework based on the ILO's global Employment Agenda (2003). It highlights various channels through which economic and labour market policies may result to creation of productive employment.

Figure 6: Productive Employment Framework



Source: Adapted from ILO (2006)

4. ANALYSIS OF THE PRODUCTIVE EMPLOYMENT POLICIES IN KENYA

According to ILO (2009), there is a strong linkage between vulnerable employment, share of working poor and labor productivity. Labor productivity increase promoted by increase in investment, trade, technological progress or changes in work organization can lead to increase in social protection and reduction in poverty, thus increasing labor productivity in an economy can reduce vulnerable employment and share of working poor. However, increase in labor productivity does not guarantee these reductions but without productivity growth improvements in vulnerable employment and working poor are very unlikely.

In Kenya, we observe that the trend of working poor over time does not have a clear pattern. As shown in Figure 4, the ratio of working poor declined between 1990 and 1997 but then rose again to around 45% in 2005 and 2009. However, this ratio declined to about 35% in 2012. However, the rate is rather high at 35 (in 2012) especially when compared to the increase in labor productivity over the years. Vulnerable employment rate on the other hand declined over the years but there was a slight increase from 2013 to 2015. The share working poor however has been fluctuating over the years with lowest level recorded in 1997 at 19.6% this rate however increased to 45.2% in 2005 but later improved to 34.8% in 2012.

Only two indicators show positive developments in Kenya, that is labor productivity and vulnerable employment rate. Employment-to- population ratio declined during the 1990s, but later improved in 2007 the ratio favored men than women. It is worth noting that vulnerable employment is low because we have only considered contributing family and own account workers in the calculation of vulnerable employment. However, considering informal workers in Kenya share the characteristics of vulnerable workers in that they lack; any formal work arrangements, decent work conditions, adequate social security and effective representation through trade unions and other organization, the rate of vulnerable employment would be much higher since 82.8% of workers in Kenya are employed in the informal sector (KNBS, 2016).

In 2003, ILO classified policies for productive employment into two, (i) policies addressing the economic environment and, (ii) policies affecting the labor market. Kenya, like many other developing countries is designing its policies towards this direction as seen with the adaptation of ILO Decent Work Country Programme in 2013. ILO formulated Kenya Decent Work Country Programme in conjunction with the government of Kenya and workers and employers' organizations. With the country facing acute economic and social challenges, high unemployment, and poverty rate, the programme key focus areas are employment, rights, protection and dialogue. Through these, the programme aims at increasing social protection, promoting productive employment as well as strengthening industrial relations in the country. The following is the analysis of past productive employment policies in the country, (ILO, 2013).

Policies addressing the economic environment

a) Trade Policies

These are policies that target the supply side as well as the macro and micro levels of the economy, with an aim of improving the quality and quantity of employment (ILO, 2010) The relationship between trade and employment is complex. Trade reforms influence the restructuring of the economic environment. This takes the form of closure of firms, job losses, new start-up, increase in investment and job creation. Trade reforms therefore instigate both job creation and job destruction. The resulting net effects of trade liberalization in the short run may be negative or positive depending on country's specific effects such as the functioning of labor and product markets. However, in the long-run trade liberalization may lead to efficient gains in overall employment in terms of quality of jobs and wages earned. However, an increase in wages may mimic negative distribution effects of some workers. In this case, labor policies should be employed to redistribute the net gains from winners to losers, (ILO, 2007).

Countries engage in trade in order to improve their standard of living. However, the level of standard of living among individuals in a country is largely determined by their employment status. The effect of trade on quality and quantity of employment is a key indicator in measuring the success and desirability for further improvements in trade liberalization (Polaski, 2007).

In Kenya, the trade policy was formulated with the view of increasing Kenya's development in an environment characterized by rapid technological progress and globalization (Manyara, 2013). The development of trade policy can be traced back to the Sessional Paper No. 10 of 1965 on "African Socialism and its Application to Planning in Kenya". The paper advocated for trade development and protection of infant industries in Kenya with the objective of enhancing growth of trade, easing pressures of balance of payment, increasing economic control and generation of employment. The policy had a great impact on development of trade regime in the first decade of independence (Republic of Kenya, 2015).

The first phase in the evolution of trade policy in Kenya was the import substitution policy. The aim was to produce locally the consumer goods that were being imported. The government arguments for this strategy were; an existing market for the new industries, provision of infant industry protection and the fact that the importance of foreign trade had reduced hence the country's vulnerability to external fluctuations had also reduced, (Meilink, 1982). This led to the establishment of manufacturing industries, which were self-sufficient in the production of consumer goods for consumption in both the domestic and foreign market (Wagacha, 2000).

ILO (1972) produced a report regarding employment in Kenya. The report argued that, import substitution policy brought about increase in output between 1964 and 1970. This was accompanied by increase in employment of below 4% per annum. In 1970, 645,000 people were employed in the manufacturing sector compared to the total population of 11 million. This implied that only a small fraction of the working age was absorbed into the manufacturing sector.

Between 1972 and 1977 employment in the manufacturing sector in Kenya increased to 4.7% per annum implying a total of 902,000 people were employed in 1977 (Economic survey 1977, 1978). However, the oil crisis in 1974 reduced the output growth but despite this employment growth remained relatively high especially in the public sector. The manufacturing sector growth increased at a rate of 10% between 1972 and 1977 although there was a slowdown in 1975 after the oil crisis. There was a significant growth of employment in the manufacturing sector which rose from 84,800 in 1972 to 117,900 in 1977 (Meilink, 1982). This growth only accounted for a small share of employment in the modern sector employment. In addition, the growth of employment in the manufacturing sector was lower compared to the growth of industrial output. This was because the manufactures used capital intensive techniques to produce consumer good due to the difference in relative prices of capital and labour. The economy also experienced an increase in employment in the public sector. However, this was complemented by poor job creation in the sector (Wamuthenya, 2010).

The second phase in the evolution was through the adaptation of Structural Adjustment Programmes (SAPs) in 1980's by Session Paper No.1 of 1986 on Economic Management for Renewed Growth. The Sessional Paper emphasized a shift from protecting the domestic market and reliance on import substitution to a competitive environment essential for increased use of domestic resources, creation of employment and export promotion. The objective was to make the government a facilitator rather than a player in economic activities (Bigsten and Kimuyu 2002). Trade liberalization in Kenya led to decrease in both tariff and non-tariff barriers in the export market thus improving market access to products, (Odhiambo & Otieno, 2005; Kinuthia 2013). However, as time passed it became evident that government's efforts aimed at reforming the economy were failing, as the country dawned into political and economic crisis in 1990. To demonstrate its commitment in ensuring reforms the government made major reforms in the country this led to privatization of parastatals, liberalization of financial and energy sectors, price decontrols and phasing out of import controls. The government also introduced; Manufacturing under Bond (MUB) in 1988, Export Processing Zones (EPZs) in 1990, Export Guarantee and Credit Scheme, duty and Value Added Tax (VAT) and revived the Kenya Export Trade Authority. The government also established the Export Promotion Council (EPC) in 1992 to address challenges faced by exporters (Were et al. 2002).

The implementation of SAPs led to changes in the structure of employment, income and poverty. Fiscal spending and productive employment within the public sector was also restricted. The public sector employment was expected to reduce in the short-run whereas employment in the modern sector depended on private sector and self-employment (Wamuthenya, 2010). In addition, the Structural Adjustment Programme led to reduction in expenditure on basic needs and social services such as health and education by the government. Domestic products were exposed to stiff competition by the foreign markets thus the poor segments of the population were exposed to increase in unemployment and retrenchment (Rono, 2002).

The third phase in the evolution was Export Oriented Policies, which was embodied in the sixth Development Plan (1989-1993). The policy aimed at expanding export potential by advocating for reforms of various institution, reduction and reformulation of tariffs, eradication of export duties, provision of export oriented schemes, enhancement of foreign exchange and regulation of insurance and the establishment of national export credit Guarantee Corporation. Export oriented strategies proposed the use of incentives to encourage exports by local manufactures. The main objective was to ensure improve efficiency, stimulation of private investments and increase of the sectors foreign exchange earnings (Glenday and Ndii, 2003).

In 1991, foreign exchange bearer certificates were introduced, these enabled holders of the certificate to use them as import licenses. In 1992, retention schemes were formulated and another market for foreign exchange bearer certificates was established. In addition, the country benefited from revival of East Africa Community and improvements made to the Common Market for Eastern and Southern Africa. This gave a boost to manufactured exports as exports, which increased from 15% for the period between 1990 -1992 and to 34% between 1996 -1998 (Gitonga, 2015).

According to Manda (2002), export oriented policies led to increase in unemployment in urban areas, insecure jobs and reduction of wages and salaries for less skilled workforce. Trade liberalization led to decrease in job creation, higher casualization and feminization of workers, especially in the manufacturing sector. In addition, there was a decline in the number of full time and long-term employees. Employers instead, were hiring a diverse pool of workers on a part time, temporary or casual basis. Self-employment was also dominant in this period. The manufacturing sector increased the use of temporary workers due to the high demand of highly skilled labor and low wages for unskilled labor. The unskilled labour, often referred to as flexible workers worked without any security of any non-wage employment benefits.

The fourth phase is attributed to the Economic Recovery Strategy for Wealth and Employment Creation (ERS) (2003-2007). This policy advocates for trade promotion strategies as well as regional and international trade parameters for maximum trade benefits. The objective of the ERS was to reverse slow economic growth through job creation with the use of sound macroeconomic practices, good governance and sound delivery system that fosters growth and development. This led to the launch of a National Export Strategy in 2004 with the aim of stimulating and expanding international trade. With the implementation of ERS in 2003, the economy grew by 6.44% between 2001 and 2007 and exports expanded from 132 million dollars in 2002 to 323 million in 2008 (Kinuthia, 2013).

In 2008, Kenya launched a long-term development plan called vision 2030. The main objective of this development plan was to “transform Kenya into a newly industrialized country providing a high quality life to all its citizens by 2030,” (Republic of Kenya, 2009). The long-term development plan recognized the need for employment creation in order to eradicate poverty. The plan argued that an increased economic growth rate of 10 percent would absorb the idle and the increasing workforce in the country. In order to achieve this the plan advocated for a more flexible labor market and generation of employment opportunities for the highly skilled workforce by promoting business process outsourcing, information technology industries and value added industries for the agricultural sector. The plan also focused on empowering of the informal sector as well as youth employment, (IEA, 2010).

The introduction of Vision 2030 advocated for the promotion of Small and Medium enterprises SMEs in Session Paper No. 2 2005. According to the Vision, competitive advantage of the country lies in agro- industrial exports. Therefore, there was need to strengthen the SMEs in order to increase the performance of the manufacturing sector. This could be achieved by improving the productivity of SMEs and Innovation (Opijah and Syekei, 2012).

Figure 7 shows the growth rate of manufacturing exports in Kenya between 1972 and 2015. We can observe that export growth was rather constant between 1972 and 1990. However, from 1990 there was a gradual increase followed by a sharp rise in 2006. The growth continued steadily apart from 2013 when manufacturing export experienced a sharp downturn.

Figure 7: Trend of manufacturing exports in Kenya

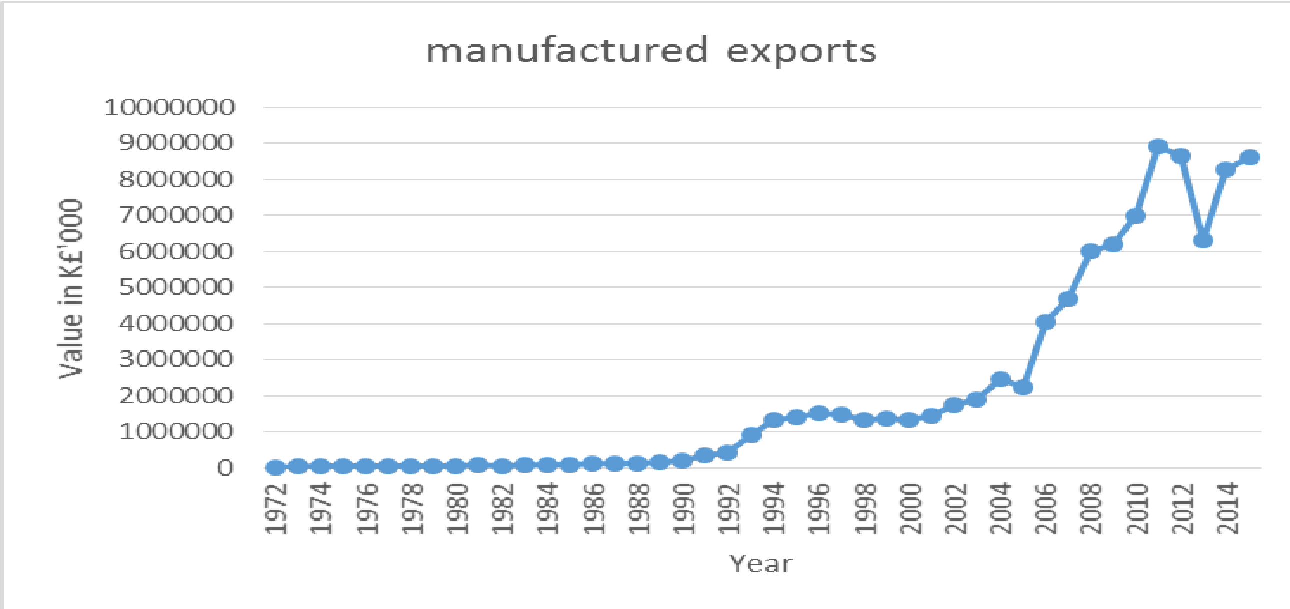
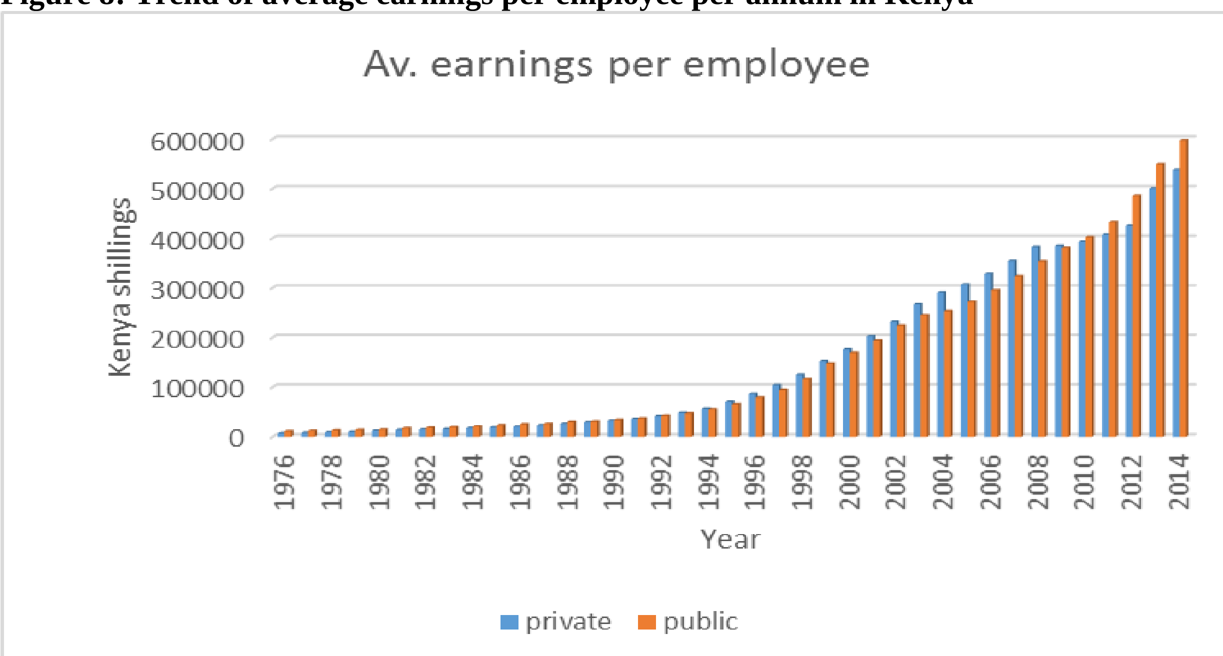


Figure 8 shows the growth rate of average wage earnings per employee per annum in Kenya between 1990 and 2004. The performance of manufacturing exports has continued to improve over the years. However, in 2013 the sector performed rather poorly compared to 2011 where exports decreased from 173.3 million to 126.4 million. Average earnings per employee in the sector has also had an upward trend with the public sector paying higher than private sector. Thus we observe that as the size of manufacturing exports increases so did the average earnings per employee.

Figure 8: Trend of average earnings per employee per annum in Kenya



b) Macroeconomic policies in Kenya

Kenya has employed both fiscal and monetary policies aimed at improving job creation in the country McKinley (2010), identified macroeconomic policies that would generate employment this includes: fiscal policies, exchange rate policies and monetary policy that encourage investments, growth and job creation. Rodrik (2009) argued that the link between economic stability and economic growth is vague. Economic growth may not occur once a stable macroeconomic environment is achieved. He further argued that the relationship between macroeconomic stabilization and employment generation is also weak. In addition, if stabilization leads to economic growth, the growth may not automatically generate employment. Ocampo (2009) supported these sentiments and argued that focus on inflation may hinder economic growth, as the policy space available for other fiscal instruments to increase employment is restricted. ILO (2011) argued that developing countries should ensure stability and growth in the real economy as this may at times require the state to allow huge fiscal deficits and higher inflation rates. In addition, fiscal policy may be used to generate employment and reduce poverty using the pro-poor expenditure.

The formulation and implementation of monetary policy is conducted by the Central Bank of Kenya with the aim of achieving and maintaining stability of prices in the country, thus curbing inflation (CBK, 2010). The Bank aims at keeping the overall inflation rate at below 5%. Attaining and maintaining of low but stable inflation rate accompanied by adequate liquidity in the economy leads to increase in domestic savings and private investments thus facilitating economic growth, increase in real income and increase in employment opportunities. Thus, monetary policy in Kenya is used to support various government activities, economic growth and employment creation by attaining and maintaining a low and stable inflation (Gichuki et. al, 2012).

In Kenya, monetary policy during the first decade after independence was passive because intervention was not necessary as inflation was below 2% and the growth of GDP was at 8%. In the second decade after independence however, Kenya experienced major macroeconomic instability. The country faced severe constraints on the balance of payment following the collapse fixed exchange rate system in 1971 and the oil crisis in 1973. In order to curb the prevailing challenges, in 1973, the Central Bank employed cash reserve ratio, liquidity ratio, credit ceilings for commercial banks and interest rate controls to stabilize the economy, as well as a realignment of Kenyan Shilling from US dollar to the special drawing rights, thus devalued local currency by 10.8 percent. By 1977, the overall balance of payment improved substantially following improved terms of trade, which was boosted by increases in world prices of coffee and tea (Kinyua, 2001).

Generally, monetary policy employed between 1970s and 1980s targeted monetary aggregates and was based on fixed exchange rate policy regime. Moreover, the Central Bank accommodated an expansionary fiscal policy, which conflicted with the fixed exchange rate regime that limited it from pursuing an independent monetary policy (Brough and Curtin, 1981).

In 1990s the economy was liberalized as in interest rates controls was removed and exchange rate were made flexible, the Central Bank of Kenya therefore, used open market operations as its as it main tool for monetary policy. During this period, the economy experienced high interest rates and a wide interest spread that hindered the enjoyment of benefits of flexible interest rate policy such as increase in saving and low cost of capital. Inflation increased to double digit figure, which was increased by increase in money supply and rescuing of banks that were in trouble. The Central Bank used indirect tools to curb inflation and in 1996 with the amendment of CBK Act, the central bank was able to change its use of targeting broad money M3 to targeting broader money M3x as a concept of money stock (Kinyua, 2001).

In 2003, Kenya adopted national development strategy, "the Economic Recovery Strategy for Wealth and Employment Creation, ERS" which stated the role of monetary policy in the economy. According to the strategy "the main focus of monetary policy is to ensure that the growth in money supply is consistent with economic growth, employment creation and a viable balance of payment positioning without putting undue pressure on inflation" (ERS, 2003). The Central Bank of Kenya therefore targeted the growth rate of money supply (M3) in order to achieve the goals of monetary policy set by the economic recovery strategy, which include: restraining inflation below 5%, maintaining exchange rate that is at par with export driven economic recovery, maintaining an interest rate structure that encourages savings and ensures efficient allocation of savings and ensure adequate credit facilities to the private sector. The Central Bank allows a floating exchange rate and it does not in any way intervene in the foreign exchange market. It can only do so if the level of foreign exchange in the economy is insufficient to meet external payment commitments of the country (Pollin & Helntz, 2007).

Figure 9 shows the trend of consumer price inflation from 1960 to 2014. As we observe from the figure, Kenya has never had experienced a prolonged hyperinflation. As a matter of fact, inflation rate rarely exceeded 20% an indication of hyperinflation. This is certainly an indication of a strong performance of monetary policy in the country. An exception to the good performance of the monetary policy occurred in the early 1990s, when inflation rose to 45 percent. This spell of high inflation corresponded to the devaluation of the shilling which was associated with measures to liberalize the economy.

Figure 9: Inflation rate in Kenya

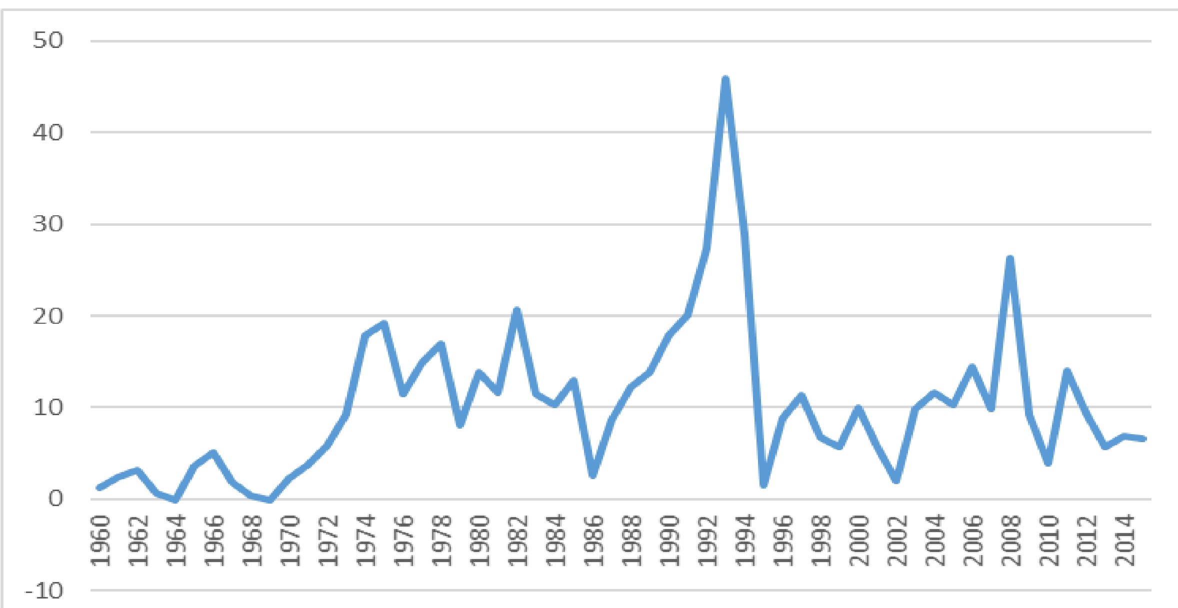
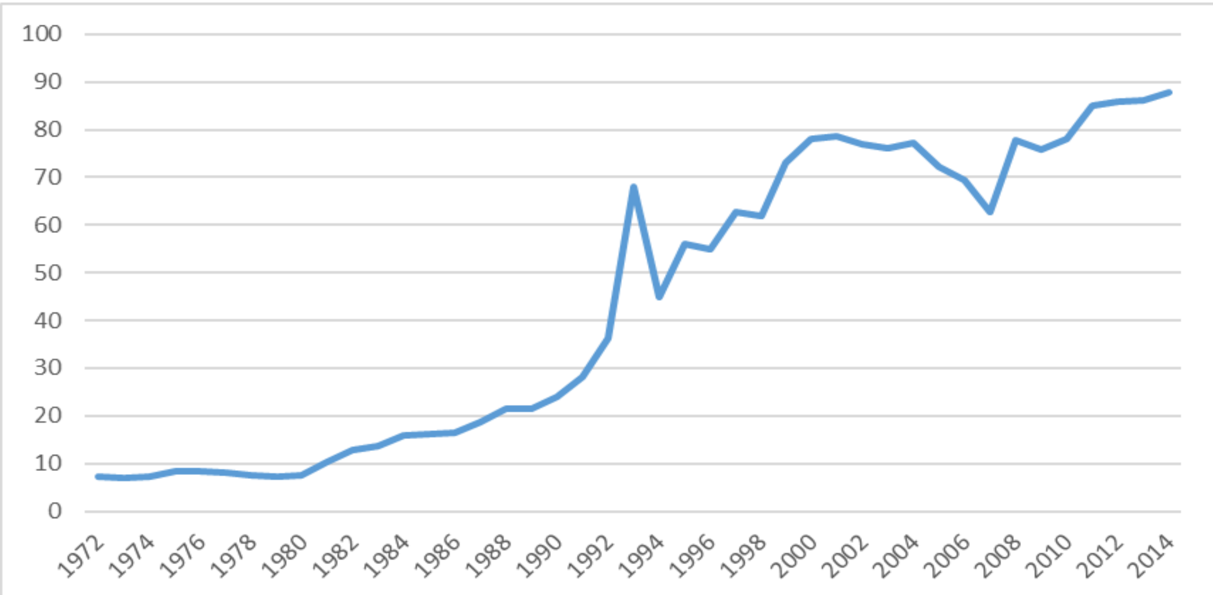


Figure 10, shows the US dollar exchange rate between 1972 and 2014. It can be observed that despite fluctuations experienced over the years, the exchange rate has been on an increasing trend.

Figure 10: Foreign Exchange Rate US$ 1 to Kshs.



Fiscal policies of Kenya

Fiscal policies can be divided into two (i) those that affect income structure and income level directly and (ii) those that that influence them indirectly through taxation and government expenditure (ILO,1972). Fiscal policy in Kenya is based on Long-term National Development Plans that act as a guide on investment and development (Mutuku and Koech, 2014). Kenya has employed fiscal policy since after independence. Fiscal policy employed between 1963 and 1977 was based on Sessional Paper No. 10 of 1965 on African Socialism and its Application to Planning in Kenya. The Paper proposed progressive taxation and public expenditure directed towards provision of public goods to encourage private investments, (Republic of Kenya, 1965). In order to finance the existing fiscal deficit, the government borrowed internally and externally and by 1980s, the two were almost equivalent. In early 1990s however, foreign aid inflows declined pushing the government into unnecessary borrowing and inflationary financing (Mureithi and Moyi 2003).

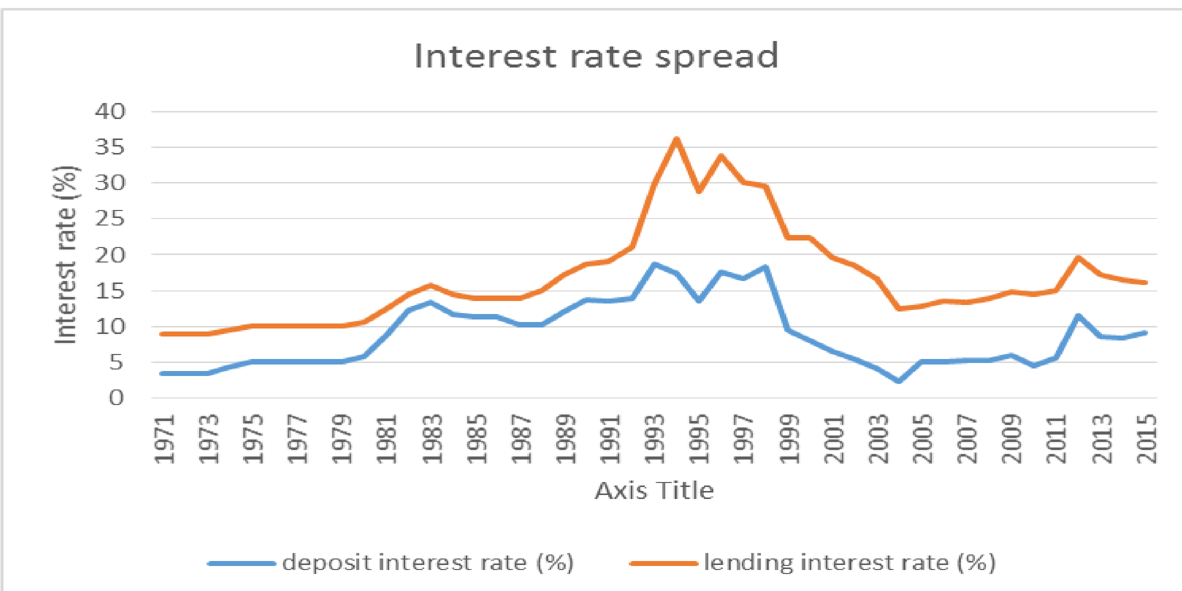
The implementation of Structural Adjustment Programmes (SAPs) and integration of Sessional Paper No. 1 of 1986 on Economic Management for Renewed Growth in early 1980s immensely affected fiscal policy in Kenya. With the government's role reduced to that of provision of public utilities and maintenance of law and order, the government embarked on increasing infrastructure in small towns and rural arears by improving roads, installing power and water facilities. However, despite efforts to realize objectives of SAPs, the country continued to face large fiscal deficit and macroeconomic instability (Wagacha, 2000; Republic of Kenya, 1986).

With the country facing high budgetary deficit and debt repayment crisis, the government took several measures to reform fiscal policy in order to create a conducive environment for economic activities. The reforms were also centered towards increasing revenue collection for the government, rationalization of the budget in public sector (Mureithi and Moyi, 2003). Some of the reforms include; introduction of Value added tax (VAT) in 1990 to replace sales tax, abolishment of export compensation in 1993 to limit abuse of the incentive and save government revenue, abolishment of export duty to encourage exports growth. In 1991, a parastatal committee was established to initiate the privatization process aimed at encouraging the private sector to participate in foreign ownership of state owned assets and to provide technological and managerial skills (Republic of Kenya, 1992; Kiptui, 2005). In 1994, the government reallocated the budget to fund core functions of the government to maximize productivity in the public expenditure and to crowd in private investments (Republic of Kenya, 1994). The government also established the Kenya Revenue Authority (KRA) to strengthen revenue collections and harmonize tax collection aims (Republic of Kenya, 1995).

From the above analysis, we have observed the main objective of monetary policy in Kenya is to maintain low levels of inflation. In addition, it can be concluded that the government holds the idea that maintenance of low inflation is the key to reducing poverty, unemployment and underemployment. However according to Pollin and Heintz (2007), a higher inflation in the country would corresponds to a faster economic growth compared to low inflation. This is because, tight monetary policies lead to high interest rates (see figure 11) which in turn reduces economic growth, thus the expansion of productive employment in the formal sector.

Figure 11 shows average interest rate in Kenya for the period 1971-2016. We observe that Kenya experience pursuit of low-inflation monetary policy has led to increase in real interest rates that result in decrease in investment and consumption. In addition, high interest rates have resulted in appreciation of exchange rate as indicated in Figure 11.

Figure 11: Interest rates in Kenya



Through fiscal policy, the government of Kenya has attempted to influence employment creation in Kenya directly through employment creation programmes and indirectly through taxation and government expenditure with an aim of increasing investments. However, private investment declined between 1971 to mid 1980s due to oil crisis of 1973 and 1979, severe drought in 1974 and 1984, and the debt crisis (Legovini, 2002; Kimani, 2005). To counter the prevailing fiscal problems, the government employed fiscal discipline to reduce borrowing and expenditure a move that fostered a slight increase in investment between 1986 and 1987.

Investment in Kenya further experienced a sharp decline between 1988 and 1994 due to failure of structural adjustment programmes, withdrawal of donor funds and fear of post- election crisis in 1992 (Wagacha, 2000). In 1995 however, Kenya recovered from the downturn with the implementation of Sessional Paper No.1 of 1994 on Recovery and Sustainable Development. The paper advocated for policies that promoted reallocation of budget resources towards core functions of the government thus encouraging private investments. Increased investment was however short lived as the declining trend emerged again between 1996 and 2002. This decline was mostly due to elections in 1997 that resulted into tribal clashes, infrastructure destructions in 1998 and budget deficit in 1998. Investment increased slightly in 2003 however, the increase lacked robustness due poor performance of ERS in 2003 that strained relationships between donors and withdrawal of funding (Ondieki, 2005; Mwakalobo, 2009). In 2007, the post-elections violence led to destruction of private investments in Kenya.

The government has also attempted to influence incomes directly. During the period 1970–1974, the Kenyan government had a controlled wages and salaries both in the public and in private sector. In the public sectors for instance, ceiling was set on the maximum earnings for an employee would rise. In addition, agreements in the private sector were taken to court for approval within a certain time. Minimum wages recommendations were subjected to a review for approval by the industrial court. The government also used mechanisms such as extended family system to redistribute income from wealthy family members to poorer members by joint living, payment of fees, loans and cash transfers. The Harambee systems and projects were also used as a means of enhancing contributions by different people with varying income, which by extension this led to redistribution of income. In 2003, the government focused on using short, medium and long-term strategies to create employment in Kenya. The Short-term projects included "*Kazi kwa vijana"*, foreign employment infrastructure and rural development, youth and women employment through Youth Enterprise Development fund, Kenya Empowerment Programme, Youth Employment Scheme Abroad and Women Enterprise Fund. Implementation of these policies led to increase in wage employment by both women and men. It also led to emergence of various casual jobs, temporary jobs as well as contract jobs in the country. Women in wage employment increased considerably from 26.2% in 1995 to 29.5% in 2000 (Omolo, 2011).

From the above analysis, it is clear that despite fiscal and monetary policies adopted by Kenya governments, the country still face low levels of investment brought by high levels of interest rates as shown in Figure 11.

Through various fiscal policies, the government of Kenya has influenced the share of employment as shown in table 1. We observe that between 1985 and 2014, wage employment increased by an annual average of 2.5 percent, self-employment and unpaid family workers increased by 3.7 percent whereas informal employment increased by annual average of 11.6 percent. In addition, the share of wage employment deteriorated to 16.56 percent by 2014 while that of self-employment and unpaid family workers deteriorated to 0.72 percent of total employment in 2014. Moreover, the portion of informal employment increased from 17.41 percent in 1985 to 82.73 percent in 2014. In conclusion, it can be observed that increase in employment in Kenya has been dominated by informal employment.

Table 1: Share of Kenya's Total Employment 1985-2014

Year	Modern sector: wage employment (%)	Modern sector: self-employment & unpaid family workers (%)	Estimated informal employment (%)	Total employment
1985	80.33	2.26	17.41	146,200
1988	77.47	2.54	20.00	173,140
1991	56.38	2.04	41.58	255,710
1994	44.86	1.74	53.41	335,620
1997	35.06	1.36	63.57	469,840
2000	28.68	1.10	70.22	591,160
2003	23.53	0.90	75.57	733,940
2006	20.66	0.75	78.60	899,340
2009	19.13	0.65	80.23	1,045,650
2012	16.87	0.60	82.53	1,278,110
2013	16.89	0.62	82.49	1,351,700
2014	16.56	0.72	82.73	1,431,670
Average for the period 1985–2014	169,582 (26.55%)	6,179 (0.97%)	463,036 (72.49%)	

Source: Kenya Economic Survey (various issues)

c) Innovation and investment policies

According to UN (2002), investment is essential for growth in every economy. However, it is dependent on other factors that determine growth in an economy which include technological process, acquisition of skills and innovation capacity. Dodgson and Bessant (1996) described innovation policy as the process of understanding the complexities in the innovation process, the main objective of innovation policy is to encourage interaction between various research institutions (both private and public) and also between various firms of different sizes in the economy. Ola-David & Oyelaran-Oyeyinka (2012) define innovation policy as "a deliberate and purposive set of actions involving a set of actors taken in order to foster knowledge creation, adoption and distribution through interactive learning among firms, public and private organizations that support innovation processes".

Kenya launched its first innovation policy in 2006 with the launch of its long-term development plan, the Vision 2030.The vision advocated for shift in focus to institution reforms, human resource development, enhancement of research and development and improvement of science, technology and infrastructure. Emphasis was also made to the creation and enhancement of improved collaborations and partnerships. This led to the development of the ministry of Education, science and technology to promote capacity building and innovation, (Ndemo, 2015). It also led to development of various institutions that support innovation. In 2009, Kenya developed a science, technology, innovation policy and strategy to promote the application of science in all the sectors of the economy to ensure that Kenya benefit from its capabilities and capacities.

Kenya has implemented innovation policies and has increased funding in research and development as a strategy for creating jobs and supporting innovation. Innovation projects such as "livelihoods" in Nairobi Kawangware estate has created employment opportunities for youths by training youths to sell various products in the communities. Other innovation projects include the i-Cow, M-Farm and M-PESA which have contributed significantly to employment growth in Kenya, (Ndemo, 2015). In addition, Kenya has access to highly skilled labour as it established over 30 universities both private and public that offer technical and professional education. It also has various institutions that offer specialized training in management, science and technology. The availability of multinational companies and banks in Kenya has contributed to the growth of managerial skills that has further pushed the economy towards service driven with great efficiency and innovation.

Kenya also aims at providing a conducive environment for the enhancement of direct foreign investment by providing an infrastructural base, developing human capital, trade liberalization, provision of a viable financial infrastructure and a liberalized economy with no price and exchange controls (Ola-David & Oyelaran-Oyeyinka 2012). Before independence, Kenya foreign direct investment was concentrated mainly on the primary sectors but after independence, it became an important source of industrialization, (Kinuthia, 2013). Foreign direct investment has increased over the years, between 1970 and 1980 it increased by six times but later reduced in the 1990s and in the 2000s it increased marginally. Kenya enacted investment promotion act in 2004 to promote foreign direct investment in the country. The act provides incentives and promotes foreign direct investment that leads to the earning foreign exchange, creation of employment and promote backward and forward linkages and transfer technology.

According to Cirera et al., (2015) innovation in Kenya has led to i) increase in the number of skilled workers ii) decline in number of unskilled workers in process innovation iii) skill biasness with regard to demand of labor. Based on this study, use of innovation by firms in Kenya is likely to lead to job creation especially for skilled workers. However, its impact on unskilled labor is uncertain, although its relative impact on unskilled labor in product innovation appears to be constant.

Policies addressing the Labor Market

These policies influence the working conditions of workers. These policies include employment policies, population policies and social economic policies.

a) Employment policy

Kenya over the years has implemented a wide set of employment policies. Since 1963, Kenya has implemented over 17 types of employment policies with the objective of increasing employment opportunities. These employment policies can be grouped into structural policies, active labour policies and macroeconomic policies. These can be shown as follows in the Table 2.

Table 2: Kenya employment creation Policies and programmes (1963- 2011)

Employment Creation Intervention	Period		
	1663-1979	1980-1989	1990-2011
Structural Policies			
Infrastructural development	√√	√√	√√√
Rural Development		√	√√√
Kenyanization	√√√		
Industrial policy	√√	√	√√
Informal Sector Development	√√	√√	√
Productivity Promotion	√√	√√	√
Agricultural promotion	√√	√√	√√
Labour Policies			
Public works	√√√	√	√√√
Wage Restraint	√√	√√√	√
Active Labour Market policies	√√	√√√	√
Tripartite Agreements	√√√		
Education and training	√√	√√	√
Employment and Labour Market Policies	√	√	√
Macroeconomic policies			
Economic growth	√√	√√√	√√√
Macroeconomic Management		√√√	√√√
Legal and legistrative reforms			√√
Fiscal measures	√		√

Where: √√√ indicates specific initiative is a top policy, √√ indicates the policy has medium importance and √ the policy was complementary.

Source: *(Omolo, 2012b)*

As shown in Table 2, it is observed that macroeconomic management policies were dominant from 1990 to 2011, active labour market policies with emphasis on macroeconomic measures were dominant from 1980 to 1989 and structural and Kenyanization policy were dominant from 1963 to 1979.

The employment policies implemented during 1963-1979 period include Kenyanization, tripartite agreements and public work programs. The aim of Kenyanization policy was to increase employment opportunities through replacement of non-Kenyan citizen (Republic of Kenya, 1983). Strategies that were used to implement the Kenyanization policy include barring foreigners from rural trade, use of work permits to restrict the employment of emigrants, redistribution of agricultural land and investment in human capital formation. Tripartite agreements between the government, employers and workers in 1964, 1970 and 1979 aimed at increasing employment by 10%. However, this was on condition that workers and trade unions observe a wage freeze and refrained from sticking during the period of the agreement. The public works program on the other hand provided mass employment in various labour intensive projects such as road constructions.

These policies were improved by wage polices which at the beginning advocated for high wages between 1964 and 1972 but it was later reversed in 1973. High wage policy was meant to discourage workers from unfair labour practices and enhance productivity growth however; it was later deemed unsustainable (Republic of Kenya, 1973). In 1973, the government implemented a wage restrain strategy by setting minimum wage guidelines. The government also implemented long-term employment generation strategies, which aimed at improving: economic growth, education and training, development of agriculture and infrastructure, the informal sector, development of industries, productivity and labour market information system, (Republic of Kenya, 1973).

The above policies led to increase in wage employment by 2.8% per annum between 1964 and 1972, increase in labor productivity 2.9 % and increase in capital ratio by and 6.8 % (Omolo, 2002). However, the policies did not lead to creation of new jobs as much as it led to increase in absorption of Kenyans into wage employment sector. In addition, the tripartite agreements did not lead to creation of jobs as employers opted to convert the casual and temporary workers into permanent workers (Omolo, 2002).

Active labour market policies (ALMPs) were actively implemented between 1980 and 1989. The policies aimed at addressing the problem of rapid increase of labor, mis-match in skills, inadequate information in the labor market and the job selection among the youth. These measures were amplified by strategies targeting ware restriction, macroeconomic management and economic growth. Other interventions aimed enhancing infrastructural development, agricultural development, growth of the informal sector re-alignment of education training and promotion of productivity (Omolo, 2012b).

The government implemented active labor market policies by providing public employment services through the National Employment Bureau. Active labor market policies contributed to the supply of highly effective labor and ensured that the unemployed workforce were actively looking for employment and they also had the necessary qualifications needed to fill the vast positions available. The active labor market policies therefore did not directly create jobs but improved the pre-conditions necessary for the creation of jobs thus enhanced the linkage between the supply and demand sides of labor market, (Omolo, 2012). These policies led to increase in employment in the formal sector by 5.6 % per annum between 1980 and 1989. This led to increase in economic growth rate at 4.31% per annum, which led to increase in employment in the informal sector.

From 1990 onwards, the Government of Kenya started short term, medium and long-term strategies to increase job creation in the country. Some of the short and medium term work programs include *kazi kwa vijana*, infrastructure and rural development. The long-term measures on the other hand have targeted macroeconomic management for the purpose of renewed and sustainable economic growth, informal sector development, promotion of industrialization and agricultural development. Other long term measures advocates for enhancement of the private sector investment and participation in the economy, liberalization of the labor market, formulation of labor and employment policies and legal and legislative reforms (Republic of Kenya, 1994b, 1997b, 1999, 2002, 2008c).

The implementation of employment policies from 1990 led to rapid growth of the informal sector employment by 17.40% compared to the formal sector 1.97 % per annum. Market growth in the informal sector employment between 1990- 1999 was higher than the period between 2000-2011. From 1990 to 1999, it was at 27.67% whereas from 2000 to 2011 it was at 7.80%. The country also experienced a low responsiveness to employment growth between 2004 and 2008 at 0.5 employment elasticity compared to 1.28 from 1992- 1996.

b) Population Policy

Kenya youth's population (15-34 years) as a percentage of entire population is large. For instance in 1969, the youth constituted of about a third of the country's population; in 1979, the youth population increased to 32.25%. By 2009, it had increased to 35.39% (Omolo, 2012). Currently, the youth population represents two thirds of working age (15-64 years) and many of them face unemployment (Zepeda et al., 2013*).* According to Szirmai (2013), high rate of fertility and population growth lead to youth unemployment. Decline in fertility rate in the in the medium and long term will reduce population pressure on the labour market. Kenya recognized potential effects of high population growth on economic growth, delivery of quality education, health and poverty since 1965. Economic survey conducted in 1979 indicated that a high population growth rate requires high levels of investment to in order to attain high levels of GDP per capita, expand infrastructure for education so as to accommodate the increasing demand for places occasioned by the youth.

Kenya adopted family planning in the Ministry of Health in 1967 as a strategy to reduce population growth to achieve its development goals. The programme, however, had a narrow focus hence was ineffective, (Ajayi and Kekovole, 1998). In 1984, National Population Policy was adopted in Kenya. This policy recognized that the country's population constituted of its most precious resource, acknowledging that decline in fertility rates would contribute greatly to social and economic development. The policy further advocated for improved population programs. Implementation of this policy led to a decline in population and fertility growth, increase in knowledge on family planning methods, which raised the use of contraceptives thus reducing family sizes, and it increased immunization of children.

In 2012, Session Paper No. 3 on National policy for national development, which succeeded the Sessional Paper No.1 of 2000 on National population policy for sustainable development, guided the population programmes up to 2010. The Session Paper No.3 advocates for a policy framework whose main aim is to attain a high quality of life in Kenya by lowering the population growth rate to a level that can be sustained by the available resources. The policy aims to provide a framework that will guide national population programs for the next 20 years. The policy recognizes and considers various emerging population issues both at national and international level and responds to Kenya's long term development agenda as well as the constitution of Kenya, (Republic of Kenya, 2013).

c) Social Economic Policy

The linkage between employment and social policies is a key factor to inclusive growth, poverty reduction and improved human development. Reduction of income poverty in developing countries is due to social protection policies of some kind or another (Mira and Salvani, 2003). Economic growth is the main factor at work in many developing countries hence social and economic policies design must reduce poverty rate directly by establishing a decent rate and pattern of economic growth. A well-designed social protection system must ensure consistency between social protection policies and employment policies to ensure the net positive effects they do not cancel out. Social protection policies should promote the creation of jobs thus reducing poverty (Mira and Salvani, 2003).

Kenya has implemented social protection policies for many years in various forms of contributory and non- contributory schemes, which were driven by the African Union meeting held in 2006 in Zambia. Following this the government formulated a national social protection framework. Through this Kenya has formulated various actions of social assistance, social security and health insurance (Government of Kenya, 2011).

Social protection policy in Kenya is defined within the legislative and policy description (2014). The legislative definition is under Article 43 of the constitution, which guarantees social protection as a right that is operationalized by specific acts. It also emphasizes the universal enjoyment of rights, taking care of the poor and the vulnerable and those who could fall into poverty (Government of Kenya, 2010). National social protection policy in Kenya was developed in 2011. The policy aimed at reducing poverty and vulnerability of people due to economic, social and natural shocks and stress.

The policy aimed at coordination of different social protection issues run by different ministries in the government. The policy had several objectives which included: Protecting individuals from adverse shocks that would affect their consumption levels that would lead to increase in poverty, supporting these individuals by reducing their exclusion and strengthening them to be financially independent, cushioning workers and their defendants from income threatening risks such as sickness, injuries at work as well as threat of poverty after employment, promotion of key investments in human capital and physical assets by individuals so as to ensure their resilience and break intergenerational succession of poverty and promotion of synergies and integration between social protection providers and the stakeholders so that the policy operates optimally (2014).

In Kenya however, social insurance applies mainly to formal sector works. The government provides a non -contributory pension plan for civil servants whereas other formal workers are covered under mandatory contributory National Social Security Fund (NSSF). Social security coverage in Kenya is therefore quite narrow; however, efforts are being made to encourage informal and self-employed workers to join the scheme as well as other insurance schemes such as NHIF.

Social assistance in Kenya encompasses a non-contributory cash transfer programmes that target poor and vulnerable persons. According to Handa et al. (2015), cash transfer programmes in Kenya cover the elderly, orphans, and vulnerable children. The Centre estimates that only 28 percent of orphans and vulnerable children, 0.38 percent of persons with disabilities and 3.52 percent of the poor are covered under the program. This limited coverage is attributed to limited resources, poor targeting of intended beneficiaries and lack of harmonization of different cash transfer schemes that limit service delivery.

Discussion on the Productive Employment in Kenya

The analysis of policies for productive employment in Kenya reveals that Kenya employs two types of policies to improve productive employment. This includes policies that address economic environment and policies that address labor market. The former refers to policies that promote job creation whereas the latter refers to policies that influence the labor market directly.

Policies that encourage productive employment in Kenya include macroeconomic policies, investment and innovation policies and trade policy. Kenya has employed trade and macroeconomic policy since independence, innovation and investment policies however, were introduced in 2006 with the implementation of Vision 2030. From our analysis, we have observed that macroeconomic policies, fiscal and monetary policy, in Kenya have generally promoted creation of informal employment as opposed to formal employment, discouraged investment and job creation by private investors, led to high interest rates and foreign exchange rate that discourages investments. Innovation policy was however found to have a positive influence on formal employment as it encourages skilled labor as opposed to unskilled labor among firms.

Generally, our analysis reveals policies that promote job creation in Kenya are inadequate in promoting productive and decent employment has remained constant over the years. Moreover, the policies have promoted movement of labor towards informal employment and self-employment. In order to enhance productive employment, rapid increase in labour supply should be accompanied with rapid quality formal employment as opposed to informal employment. Above all, there is need to develop and promote policies that not only encourage growth of formal sector but also formalization of agricultural sector. Furthermore, the private sector plays a role in creation of employment thus the state needs to design policies that encourage private investment and prevent crowding out of investments, a move that will also encourage local production thus ensuring existence of competitive products in the local market. This move will discourage imports and promote employment.

With regard to policies that address the labor market directly, Kenya employs employment, population and social economic policies. Employment policies have made considerable efforts in improving employment growth over the years. However, there is a great need to develop and implement gender sensitive policies that not only acknowledge but also promote employment of both men and women within the formal sector. Government ministries should work together in this to ensure development and implementation of policy coherence and enforcement of these policies in all sectors of the economy.

Population policy on the other has failed effectively to address high levels of population growth and the rural urban migration in the country. With the analysis revealing that, the high rate of population growth will continue to have an upward trend in the coming years there is need to increase the rate of urbanization in the country. Increased rate of urbanization has proved to increase economic growth if accompanied with development of infrastructure and decongestion of urban areas. Thus, if these measures are put in place, provision of productive employment will expand to majority of people since most of the population is in rural areas.

The government should also rethink the education system in the country; this will tackle the problem of skill mismatch in the country. The re-introduction of technical and practical training institutions in the country will facilitate development and implementation of practical skills thus promoting middle class employment among the population. Social economic policies on the other hand are less developed, favor formal employees and lack proper measures to ensure their effectiveness and ability to cover all intended beneficiaries. The government should therefore work to formulate measures to strengthen the existing policies in the labor market to ensure provision of quality and productive employment for all.

5. CONCLUSION AND RECOMMENDATIONS

The importance of productive employment and decent work as a key policy objective is now widely recognized in countries across the globe and at all levels of development. The adoption of the Global Jobs Pact at the International Labour Conference in 2009 by governments, employers' and workers' organizations was a forceful manifestation of this recognition. The debate on issue of unemployment particularly in Africa is not new in development discourse. In most of the developing countries, employment creation has been considered as a main driver of growth and development. As such, governments in these countries have adopted various interventions to address the phenomenon of unemployment and to propel development (ILO, 2012). What is new in this debate is the realization that beyond the numbers there is need to relook at the nature of employment being created. Literature refers to this as productive or decent employment (Szirmai et al 2013, ILO 2012, Kingombe and Velde, 2013; Mcmillan et al. 2014). Consequently, policies for creating productive employment are critical in achieving growth and development among developing countries.

Productive employment in Kenya can be promoted through gender-sensitive policies that address economic environment and address labour market directly. There is a need to promote legislative framework that encourage greater policy coherence, TIVET education and private sector development, especially in sectors with high employment potential. The role of international actors in support of this initiative is crucial. Regarding productive employment in agriculture, the government should be able to facilitate operation of productive farms. A greater professionalization in the economy is desired. However, industries suffer from skills' mismatch that is a result of inadequacy relating to the education system in Kenyan and lack of provision of demand driven education and training programmes. Nevertheless, Kenya has succeeded in developing policies for employment. However, it is important to note that most of the policies have been ineffective and have failed to ensure decent and productive employment for all. Thus, there is need to reformulate and restructure these policies to ensure a shift from rapid growth of informal workers to rapid growth of formal worker with adequate social protection securities.

The agriculture sector in Kenya remains a key sector for creating employment and inclusive growth. However, it is dominated by informality and casual employment, which negate tenets of productive employment. As such there is need to revitalize the sector by ensuring that there is transformation that would bring about decent employment. One avenue for revitalizing the agriculture sector is to increasing funding to the agreed rate of 10 percent of the budget as per the Maputo Declaration. There is also the need for continuous attraction of foreign direct investment in the sector which in most cases promotes productive employment.

Finally, there is need for promoting sector-wide consultative forums that assesses how different policies so far developed have affected productive employment in Kenya. At the moment, the existing policies are anchored in various departments/ministries which makes coordination a bit of a challenge. Coordination of employment related policies would go a long way in ensuring policy coherence which is lacking at the moment.

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