Any views expressed in this paper are those of the author. They should not be interpreted as reflecting the views of the Institute for Development Studies or of the University College, Nairobi.
Employment

The most striking facts about the employment problems faced by the Kenya economy can be illuminated by a few simple statistics. In the countries of the 'developed' world, the number of those who leave the labour force each year through death or retirement are two thirds or more of the number of those entering it for the first time. Thus most new members of the labour force can walk into ready-made jobs, and the larger part of new capital formation in these countries can be devoted increasing the amount of capital per worker - and therefore level of living of the individual.

By contrast in Kenya - and also in much of the rest of the less developed world - for every person who leaves the labour force through natural causes there are almost 3 who enter it. Furthermore, on only one person in four of the present labour force is in wage-employment of some kind, there are, on the average, 12 new entrants into the labour force for every job that arises through natural wastage. Hence resources which could have been used to raise the level of living of the individual must now, in part, to maintain levels already reached, but for more people.

Economic historians agree that a growing population - like a mild rate of inflation - can stimulate economic development. But a rate of population growth approaching 3% per annum can hardly be more stimulating than a tidal wave. In the circumstances, the Kenyan economy has done remarkably well to achieve a rate of growth of output over the period 1964-68 that was double the estimated rate of population growth.

The employment picture, however, was not nearly as satisfactory, as the Plan itself points out (13:68-69). Estimated wage employment increased by only 16%, or 3.8% per annum, while output rose at the rate of 6.9% per annum, suggesting an average productivity growth per worker in wage employment of about 3% per annum (Plan, Table 2.4). This would suggest that only about one quarter of the 1964-68 increase in the adult population or 15% of new labour market entrants was absorbed in some form of paid employment.

Even this figure may be unduly optimistic, for two reasons. First, over one third of the estimated wage-employment in 1964 (333,000 out of 908,000) is based not on the annual labour enumeration but on unpublished surveys of rural wage-employment, the reliability of which we cannot assess. Secondly and more importantly, seventy percent of the increase in estimated wage-employment was in unenumerated employment in rural areas. Until the surveys on which these figures are based are published, such estimates must be treated with some reserve.

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Enumerated employment rose by only 34,000 in 4 years, representing an annual rate of growth of only 1.5%. (This figure however, includes the large farm sector, where the decline in employment must have been compensated by corresponding increases in employment on settlement schemes.) The growth of enumerated, non-agricultural wage-employment was 3.4% per annum. Part of this growth represented the bringing of idle production capacity back into production, and it is reasonable to assume that significantly higher levels of investment will be required in the coming years to achieve corresponding growth-rates in employment.

One must mention one further reservation about the Plan estimates of "actively engaged" (="gainfully occupied") population. The estimates of wage employment + self employment + family workers add up to the estimated total adult working population and contain no estimate of those who were largely or wholly unemployed. The authors of the Plan may be correct in suggesting that it is not possible to estimate realistically levels of unemployment and underemployment (Plan, para 2.66). Yet, it seems reasonable to suggest that the degree of urgency and priority that should be accorded to policies of employment creation must depend on our estimate of the magnitude (and location) of unemployment. If we could assume that the economy absorbs virtually every adult into some gainful activity in which he can feed and clothe himself and build his own shelter, we would still be faced with a development problem, but unemployment as such would not have to preoccupy us. One dare not be quite so optimistic, and it is probably safe to assume that a proportion of those listed as self-employed and a larger proportion of family workers were not, in fact, gainfully employed. Their numbers are unlikely to have been much less than ten percent of the adult population.

Only three paragraphs of the Plan (4.6-4.8) are devoted to discussing the underlying causes of the slow rate of growth of employment. The high rate of population-growth is mentioned as one of these (para 4.6) but its full significance is not adequately pointed out or faced boldly enough. Other factors mentioned are the increasing capital-intensity of techniques of production in the 'modern' sectors of the economy; the level and rate of increase of wages and salaries; the inadequate level and quality of vocational training and the inappropriateness of some educational curricula; social barriers to mobility in rural areas; and, lastly, the rural-urban wage differential which attracts large numbers from rural areas to the larger towns. Somewhat surprisingly, it is not mentioned that the capital cost of creating one new urban job in Kenya is 10-15 times as expensive as it is in (say) Western Europe, when the unit of measurement is GDP per head of population.

1. It should be noted, that to the extent the migrants would have been unemployed anyway, the rural-urban wage difference determines the location of unemployment, but not its magnitude.
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</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>56.0</td>
<td>61.2</td>
<td>82.0</td>
<td>202.5</td>
<td>556.4</td>
<td>725.6</td>
<td>4.5</td>
<td>3.6</td>
<td>0.9</td>
<td>5.7</td>
<td>4.5</td>
</tr>
<tr>
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<td>1.9</td>
<td>2.5</td>
<td>4.5</td>
<td>16.3</td>
<td>20.3</td>
<td>30.0</td>
<td>7.1</td>
<td>5.6</td>
<td>1.5</td>
<td>8.1</td>
<td>6.7</td>
</tr>
<tr>
<td>Fishing</td>
<td>0.9</td>
<td>1.1</td>
<td>2.0</td>
<td>4.9</td>
<td>6.4</td>
<td>8.5</td>
<td>5.1</td>
<td>6.9</td>
<td>-1.8</td>
<td>7.2</td>
<td>6.9</td>
</tr>
<tr>
<td>Mining &amp; quarrying</td>
<td>1.5</td>
<td>4.1</td>
<td>3.2</td>
<td>3.6</td>
<td>4.6</td>
<td>6.0</td>
<td>-1.7</td>
<td>6.3</td>
<td>-8.0</td>
<td>9.2</td>
<td>6.5</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>33.7</td>
<td>42.1</td>
<td>82.1</td>
<td>68.5</td>
<td>82.7</td>
<td>107.5</td>
<td>5.7</td>
<td>4.8</td>
<td>6.8</td>
<td>9.2</td>
<td>4.5</td>
</tr>
<tr>
<td>Building</td>
<td>6.8</td>
<td>10.3</td>
<td>22.4</td>
<td>20.2</td>
<td>34.4</td>
<td>61.0</td>
<td>10.9</td>
<td>14.2</td>
<td>-3.3</td>
<td>9.7</td>
<td>10.0</td>
</tr>
<tr>
<td>Electricity</td>
<td>4.6</td>
<td>5.7</td>
<td>10.8</td>
<td>5.0</td>
<td>5.8</td>
<td>6.5</td>
<td>6.4</td>
<td>3.8</td>
<td>0.6</td>
<td>8.2</td>
<td>1.5</td>
</tr>
<tr>
<td>Transport &amp; communication</td>
<td>25.1</td>
<td>28.7</td>
<td>62.7</td>
<td>32.3</td>
<td>55.0</td>
<td>86.0</td>
<td>11.4</td>
<td>14.2</td>
<td>-2.9</td>
<td>8.0</td>
<td>8.2</td>
</tr>
<tr>
<td>Trade</td>
<td>33.0</td>
<td>42.6</td>
<td>64.5</td>
<td>60.9</td>
<td>56.9</td>
<td>72.0</td>
<td>6.6</td>
<td>-1.7</td>
<td>8.3</td>
<td>6.8</td>
<td>4.0</td>
</tr>
<tr>
<td>Banking, Insurance</td>
<td>11.6</td>
<td>16.2</td>
<td>27.5</td>
<td>6.5</td>
<td>8.9</td>
<td>13.5</td>
<td>8.7</td>
<td>10.8</td>
<td>-2.1</td>
<td>9.0</td>
<td>7.2</td>
</tr>
<tr>
<td>Services</td>
<td>11.9</td>
<td>17.1</td>
<td>28.1</td>
<td>5.1</td>
<td>5.2</td>
<td>8.6</td>
<td>3.2</td>
<td>3.4</td>
<td>6.4</td>
<td>8.2</td>
<td>6.2</td>
</tr>
<tr>
<td>Households</td>
<td>2.9</td>
<td>3.7</td>
<td>6.0</td>
<td>3.1</td>
<td>3.6</td>
<td>5.0</td>
<td>6.1</td>
<td>4.2</td>
<td>2.1</td>
<td>6.7</td>
<td>4.9</td>
</tr>
<tr>
<td>General Government</td>
<td>43.0</td>
<td>59.5</td>
<td>91.0</td>
<td>124.6</td>
<td>132.1</td>
<td>173.0</td>
<td>8.2</td>
<td>0.9</td>
<td>7.6</td>
<td>8.2</td>
<td>5.0</td>
</tr>
<tr>
<td>Total</td>
<td>263.0</td>
<td>317.0</td>
<td>505.3</td>
<td>308.4</td>
<td>1056.0</td>
<td>1425.0</td>
<td>6.9</td>
<td>3.8</td>
<td>3.1</td>
<td>7.8</td>
<td>5.1</td>
</tr>
</tbody>
</table>

1. Post-war economy only
2. Total includes 'ownership of dwellings', not listed separately. Total not necessarily equal to sum of components because of rounding.
What of the future? The planners have been remarkably frank and realistic in not promising wonders. They predict that only 40-45% of the estimated growth in working population will be absorbed in some form of wage employment (which represents only 25-28% of new entrants to the labour force). It is further suggested that few (if any) primary school leavers and (by 1974) not more than half the anticipated secondary school leavers, will be able to enter the urban wage-labour force.

As the number of those who will join the labour force with a qualification higher than school certificate is unlikely to exceed 10,000, the number of persons that will be absorbed in the urban wage-economy would therefore seem to be of the order of 100,000. However, up to 70,000 of these may be needed to replace those who will die, retire or emigrate. Hence the net growth in the number of urban wage-jobs must (by implication) be of the order of 30,000 over 6 years, or 15% of the estimated number of new wage-earning jobs outside agriculture. So low a figure may well turn out to be pessimistic, representing an annual increase in urban wage-employment of under 1%. My own guess would have been 60,000 new urban jobs.

The overall projection of wage-employment (including the very large number of presumed rural wage-earners who are not covered by the enumeration of employees) is much more optimistic, predicting an annual rate of growth of 5.1% compared to 3.8% in 1964-68. The productivity assumptions upon which these projections must have been based appear reasonable. The apparent overall rate of growth of productivity per man employed declined slightly from 3.1% to 2.7% per annum. It rose in 8 out of 13 producing sectors, and the sectors in which it falls significantly — trade, services and general government — account for only 25% of the increase in planned employment. Most of the acceleration in the projected rate of growth in wage-employment is due, therefore, to the acceleration of the rate of growth of marketed output from 6.9% to 7.3% per annum. If this target can be met, the projected growth of wage-employment looks reasonable.

2. Assuming a natural wastage rate of 25% per annum.
3. While this conclusion seems reasonable, it appears to be at variance with the sectoral forecast of wage employment (Table 4.1) which predicts an increase of 64,000 in government employment alone.
4. i.e., the difference between the rates of growth of output and employment.
We must remember however, that even if this target is realised, the growth of wage-employment will absorb only 40% of the expected 925,000 addition to the adult labour force. What will happen to the rest? According to the Plan, another 47% (380,000) will go into non-agricultural self-employment, mainly in trade, transport and services, and the remaining 5% (528,000) must be absorbed in agriculture as self-employed or as "family workers". It may be more illuminating, however, if we were to consider not the distribution of net additions to population but of new entrants to the labour force.

**Projected Distribution of New Entrants to Labour Force 1968-70**

<table>
<thead>
<tr>
<th>Activity</th>
<th>000-5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Few non-agricultural wage employment</td>
<td>200</td>
</tr>
<tr>
<td>2. Replacement non-agricultural wage employment</td>
<td>62</td>
</tr>
<tr>
<td>3. Total &quot;openings&quot; non-agricultural wage employment</td>
<td>262</td>
</tr>
<tr>
<td>4. New jobs agricultural wage employment</td>
<td>168</td>
</tr>
<tr>
<td>5. Replacement agricultural wage employment</td>
<td>62</td>
</tr>
<tr>
<td>6. Total &quot;openings&quot; agricultural wage employment</td>
<td>235</td>
</tr>
<tr>
<td>7. Few non-agricultural self-employment</td>
<td>30</td>
</tr>
<tr>
<td>8. Replacement non-agricultural self-employment</td>
<td>15</td>
</tr>
<tr>
<td>9. Total &quot;openings&quot; non-agricultural self-employment</td>
<td>45</td>
</tr>
<tr>
<td>10. Few agric. self-employment &amp; family workers</td>
<td>528</td>
</tr>
<tr>
<td>11. Replacement self-employment &amp; family workers</td>
<td>362</td>
</tr>
<tr>
<td>12. Total &quot;openings&quot; self-employment &amp; family workers</td>
<td>920</td>
</tr>
<tr>
<td>(13= 6+12) Total agriculture</td>
<td>(1,155)</td>
</tr>
</tbody>
</table>

Thus, despite the ambitious targets for output, investment and wage employment, nearly two thirds of new entrants to the labour force will become self-employed in agriculture (or unemployed); nearly 50% will end up in some form of farming, and less than one in five can expect non-agricultural wage employment. However, even this is progress: in the present labour force only one person in nine is estimated to hold such a job.

The strain this process will throw on the absorptive capacity of the agricultural sector is considerable. The implied rate of growth of agricultural population is 2.9% per annum, while the projected rate of growth of marketed agricultural product is 5.7% per annum, giving an implied rate of growth of productivity of 2.8% per annum. It is unlikely that the rate of growth of productivity will be less than this, given the wave of innovation that is

5. The Plan projections have been modified to take account of the fact that the rate of growth of population is 3.3% and not, as had been thought, 3.1% per annum. The resultant increase of 75,000 has been added to self-employment in agriculture.

6. For every 52 persons born, 33 are net growth and 19 replace those otherwise have died.
sweeping through much of Kenya agriculture. The capacity of the agricultural sector to absorb 700,000 additional workers over the next 6 years will therefore depend on whether the target rate of growth of output is reached. This, in its turn, depends on the one hand whether the resources at the disposal of the industry and the policies followed by Government are capable of bringing about such a rate of growth of output; and on the other hand on Kenya’s success in selling this output at favourable prices. To put it crudely, if output grows at only 4.7% instead of the predicted 5.7%, the "price" in likely to be 230,000 more unemployed men and women. This is a sobering thought when one considers that the growth of output between 1964 and 1968 was 4.5%.

So far we have concerned ourselves with the arithmetic of crystal-gazing. Even the partially satisfactory results we have outlined will take a lot of courage, ideas and resources to bring about. The agricultural sector’s problems are discussed in another article in this issue. What is the Government proposing to do to make its predictions come true in the rest of the economy?

Chapter IV of the Plan outlines a number of areas in which Government proposes to introduce new policies or modify existing ones. It is proposed to improve the working of labour market, both by improving the range and quality of careers guidance offered in schools and by strengthening and rationalising labour exchanges and the Kenyanisation of Personnel Bureau (but will the necessary funds and personnel be forthcoming?). (Para. 4.34 - 38)

The regular and systematic feedback of information from employers to schools about job prospects, the educational implications of jobs and the earning-potential attached to them would undoubtedly be of great benefit to all concerned.

Equally welcome is the Plan’s announced intention to undertake a thorough review of technical, vocational and commercial education at all levels. With the possible exception of the products of the professional faculties of the University, the vast majority of the output of our educational system is not equipped for any particular occupation. Yet, a glance at the "situations vacant" pages of newspapers will show that the vast majority of available jobs requires not merely a given level of general education but some specific vocational competence. With the exception of teacher training and nursing, the scale of provision of vocational training is grossly inadequate. Out of about 120,000 secondary school students in 1968 less than 4,000 were receiving some form of vocational or technical education, and the scale of provision of post-secondary technical or vocational training (or comparable training at lower levels for the primary school leaver) was equally inadequate.

Only a handful of large employers — perhaps 20 in all — operate systematic vocational training schemes of their own, with a somewhat larger number making use of training facilities offered by institutions such as the Kenya Polytechnic and Strathmore College. It is unlikely that between them they engage more than a thousand secondary school leavers a year. The great majority of school leavers and their employers must undoubtedly experience the mutual frustration of the low productivity which comes from engaging
untrained manpower that small individual firms are in no position to train. (Seventy-five per cent of Kenya firms—excluding agriculture—employ less than 20 employees.) While one is confident in predicting that great potential benefits could accrue in employment, incomes and productivity—from a massive expansion of vocational training—the forms such training should take must be worked out in the closest consultation with employers.

The Plan's assurance (4.64, 4.69-71) that the present Industrial Training Act will be amended and a compulsory Training Levy introduced to finance a massive extension of vocational training is therefore most welcome. It is to be hoped that this Act—which was first proposed by the employers, and which has been awaiting enactment for nearly two years—will be speedily enacted by Parliament. It is also to be hoped that, in implementing it, Government will avoid the danger of restricting its operation to a narrow range of skills only, and that adequate thought and planning will be devoted to the determination (and ongoing evaluation) of what is to be taught, where and how.

Another welcome—overdue—promise is the consideration of alternatives to the present system of investment allowances which undeniably bias new economic activity in a labour-saving and capital (and foreign exchange) intensive direction. It is hard to believe that the same expenditure based on numbers employed, or better still, an increase in employment, would not have a worthwhile impact on the employment situation.

But the most important section of the discussion on employment is undoubtedly that dealing with incomes policy (4.99-4.134). The authors of the Plan clearly accept that the faster the rate of growth of wages and salaries, the slower will be the growth of employment. (One may add that employers' decisions to move towards methods of production that economise on labour are likely to be influenced quite as much by the wage-increase they anticipate, as by the actual increase that has recently occurred. Hence the need for a publicly announced and observed wage policy.) The essence of the changes announced in the Plan lies in (a) changing the composition of the Industrial Court by removing from it the representatives of employers and employees, and substituting in their place "persons of independent standing who will consider the public interest before all else", (b) providing the Court with a

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7. A small but highly suggestive indication of the inadequate scale of vocational training is provided by secretarial training. In spite of the fact that perhaps a quarter of secondary school leavers get no wage employment at all and the "typical salary" after one year of work for those who do is around 600 shs/month, school certificate holders with one year's training from one of the really competent secretarial schools find employment within days of graduation at 1200 shs/month or over.

8. The applicability of the hypothesis to Kenya has been most persuasively argued by J.R. Harris and M.P. Todaro ("Wages, Industrial Employment and Labour Productivity in a Developing Economy: the Kenyan Experience", Rev. Econ. Review June 1969). They suggest that productivity for Africans at this level has a secular growth-rate of 1.3% p.a., and that for each 1% rise in (real) wages employment will be 0.76% less than it otherwise would have been, owing to the substitution of higher managerial inputs and capital for the labor supply of labor.
professional secretariat (presumably of economists) to investigate claims
that come before it; (c) giving the Court the duty to review and the right
to delay and recommend changes in, all wage agreements. In addition,
statutory minimum wages will, in future, be fixed directly by Government and
not by Minimum Wages Advisory Boards. It is also envisaged that Government
may, "if and when it feels necessary" instruct the Industrial Court on
the maximum annual percentage "by which wages would, in general, be permitted
to rise." (Para. 4.125.)

This is an extremely powerful set of tools. The effect of the new package
of powers will, however, depend entirely on the way the "public interest" is
defined by Government for the Board, and on the manner in which it is inter-
preted, first by Government, in defining (or not defining) the "permissible
maximum," and secondly by the Board when deliberating on specific cases.

The Plan's definition of the considerations by which Government will be
guided in setting the "permissible maximum" is far from precise. "In arriving
at this figure the Government will take full account of increases in national
output, the cost of living, population growth, the need to expand employment
and devote resources to investment rather than consumption, and other relevant
factors," (Para 4.125). Given that the average rate of increase of wage-incomes
is a key macroeconomic concept, it would have been far more illuminating to
define it functionally and in macroeconomic terms: e.g. "control over average
wage increases will be used to ensure that the growth of productive capacity
in the economy is not constrained by lack of effective demand, subject to main-
taining price stability, equilibrium in the balance of payments and an accept-
able rate of growth of employment."

Once the overall rate of increase in wages (if any) has been determined,
its distribution among different groups of wage - and salary earners is, surely,
a resource-allocation problem, subject to social policy constraints. Relevant
guidelines that come to mind are, that wage increases would be permitted in
order to (a) accelerate the transfer of labour from stagnant or insufficient
firms or industries to dynamic efficient ones; (b) discourage the "hoarding" of
scarce skills; (c) influence occupational choices in socially desirable
directions (e.g. if we really want a larger proportion of graduates to enter
or remain in teaching, we must increase graduate teacher salaries relative to
what they would earn elsewhere).

However, the guidelines mentioned in the Plan are not based on considerations
of efficient resource allocation. Once the Court is satisfied that the wage,
increase demanded is not in excess of the permitted maximum, it is charged to

9. It is interesting to note that this will oblige the Ministry of Planning
to prepare, for the first time, national and industrial indices of wage rates.
All we know at present is average earnings, by racial group and industry. The
average earnings of any group can rise either because their wages have risen
or because the proportion of people in that group doing highly skilled (and
therefore highly paid) jobs has increased. Our inability hitherto to separate
these two effects has undoubtedly hindered serious study of the economic
consequences of alternative wage policies.
consider whether the increase, if granted, would (a) diminish employment or prevent it from increasing; (b) hinder export sales; or (c) widen the differential between higher and lower income groups; each of these three eventualities being considered undesirable. (Para. 4.127-4.128).

These are unsatisfactory guidelines to work with. First, any wage increase will tend to diminish employment or prevent it from increasing. If the court took this guideline seriously, it would never grant wage-increase at all. Likewise, any wage increases is likely to make exports or import-substitutes less competitive, or will divert manpower from export and import-substitution to other activities unless exports face a highly inelastic demand abroad (in which case the right way to exploit foreigners is an export-tax). Thirdly, while the diminution of wide income differentials is a laudable aim of social policy, this aim cannot be pursued without having regard to its effects on efficient resource allocation. (And it can, in any case, be pursued more effectively by progressive taxation and the free or subsidised provision of services consumed by the lower income groups).

While these 3 criteria have an undoubted bearing on incomes policy, their relevance is to the Government's macroeconomic decision on how average wages should change, and not to the Court's task of determining movements in relative wages. In any case the Court's ability to use the first two of these guidelines is virtually negated by the sentence "The Court will in general need very strong evidence for reducing or refusing a wage-claim or agreement on these grounds, since the Government considers that most workers have a right to expect regular gains in real income." (Para 4.127).

Thus one cannot help concluding that this particular piece of machinery must have been constructed in haste and that its designers equipped it with a powerful engine but somewhat deficient means of navigation. But this is a relatively easy matter to correct, for it is still grounded and it must be several months before it is due to take its maiden flight. The key fact, surely, is that the Government has accepted that the most effective tool it has for accelerating the rate of growth of employment is an incomes policy; and that it is proposing to equip itself with all the necessary powers to implement such a policy.

Given the problems encountered implementing an effective incomes policy in other countries, the most serious reservations are political rather than technical. Will there be a steady will to pursue a policy that is bound to offend powerful and well-organised interest groups? Fortunately, the perfect test-case is just coming up. The report of the recently appointed Public Service Salaries Commission, and the action the reconstituted Industrial Court will take on it (especially in the light of para 4.118 of the Plan), will show more clearly than anything else could what the Plan really means, and will set the tone of Kenya's incomes policy for many years to come.

10. Unless one assumes that the present wage has been arbitrarily pegged at a level below that which would equate supply and demand in a free market.