

The labour market and digital jobs in Africa: Kenya's workforce potential in Impact Sourcing

Research Brief

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Executive summary

This research brief intends to draw the attention of development studies and information & communication technology (ICT) scholars and practitioners who wish to better understand the labour market and in particular the potential of digital jobs within the ICT and services sub-sectors. In particular, the brief examines Business Process Outsourcing (BPO) and the potential of digital employment for youth and other marginalised groups in Kenya.

The BPO sector is known as the Business Process Outsourcing - Information Technology Enabled Services (BPO-ITES) sector in Kenya. The infrastructural development and growth of digital talent in Kenya could contribute significantly to the transition and viability of digital work in Kenya where work is presently dominated within the informal and agricultural sector.

The brief is based on a study, *Wausi, A., Mgendi, R., and Ngwenyi, R. (2013). Labour Market Analysis and Business Process Outsourcing – Information Technology Enabled Services in Kenya: Poverty Reduction through Information and Digital Employment Initiative*. The study uses 1998/99 and 2005/06 Kenya National Bureau of Statistics survey data to show youth unemployment rates in Kenya which are relatively higher than its national average.

The survey demonstrates the decline in formal work between the periods and this formal work population is absorbed into the informal and agricultural sector by 2005/06. BPO-ITES in Kenya has been seen as one potential sector where youth talent may fulfil the current youth unemployment and future digital work gap. Furthermore, ICT initiatives such as the Pasha centres, offer digital services in rural areas and contribute to building experiences in the electronic space for Kenyans.

Various training measures such as a Centre of Excellence for BPO-ITES, training collaborations and the roll-out of ICT curricula in schools hope to further facilitate digital skills development. These talent initiatives along with the wider growth of ICT usage, local innovation and the large pool of young graduates in Kenya will provide the conducive environment which welcomes digital work. Although the BPO-ITES sector in Kenya is relatively new, its potential to expand and absorb the growing number of unemployed youth or youth in informal work looks promising.

Labour of Kenya

Substantial attention has been paid on employment and labour strategies in Kenya within this recent period of slow economic growth. The 2005/06 unemployment rate in Kenya sits at 12.7% and the youth unemployment rate is found at 24.2% (using the strict definition) within the age group of 20-24 years.¹ This has resulted in a marginal decrease of the absorption rate in the workforce.

Absolute numbers of workers has increased over time in Kenya with many of the current employment opportunities being found in the informal sector. Between the period of 2007 and 2011, one government report shows employment grow within the informal sector from approximately 7.5 million to 9.2 million employed persons while at the same time displays a slight increase in the formal (modern sector) from 1.9 million to 2.1 million.² From these results, the government recognises the informal sector in providing employment through its recent Micro and Small Enterprises Act (2012).

Youth employment in Kenya

When looking closely at unemployment for youth, the urban youth labour force has higher rates of unemployment than their rural counterparts. The rural-urban migration among the youth may be the trigger for high urban unemployment rates especially among the 20-24 year old cohort. With regard to gender between 1998/99 to 2005/06, the results were diverse for both men and women. Within this time-frame, unemployment rates for women increased within both urban and rural regions for those aged 15-19 years old, but decreased for the 20-24 year old urban women.^{1&3} Youth men (in both age groups of 15-19 and 20-24) saw a slight increase in rural unemployment between 1998 and 2006. However, urban men found a decrease in unemployment for ages 15-19 from 56.2% to 42.3% but then a slight unemployment increase for those men aged 20-24 years old.^{1&3}

Annually, 750,000 youth attempt to enter the workplace, yet with the limited work opportunities available, just over 15% are absorbed into formal employment.⁴ The rest of the youth under 25 take up informal work. Initiatives such as “Kazi Kwa Vijana”^{5&6} (translated as ‘work for the youth’) undertaken by the Government of Kenya have responded to this challenge by engaging unemployed youth in a six-month public works programme. Other Ministry of Labour initiatives such as loan provision for the youth are helping to facilitate youth employment and enterprises. Presently, over 200,000 youth have been

1 Government of Kenya (GoK) (2008). 2005/06 Kenya Integrated Household Budget Survey, KNBS, Nairobi: Kenya.

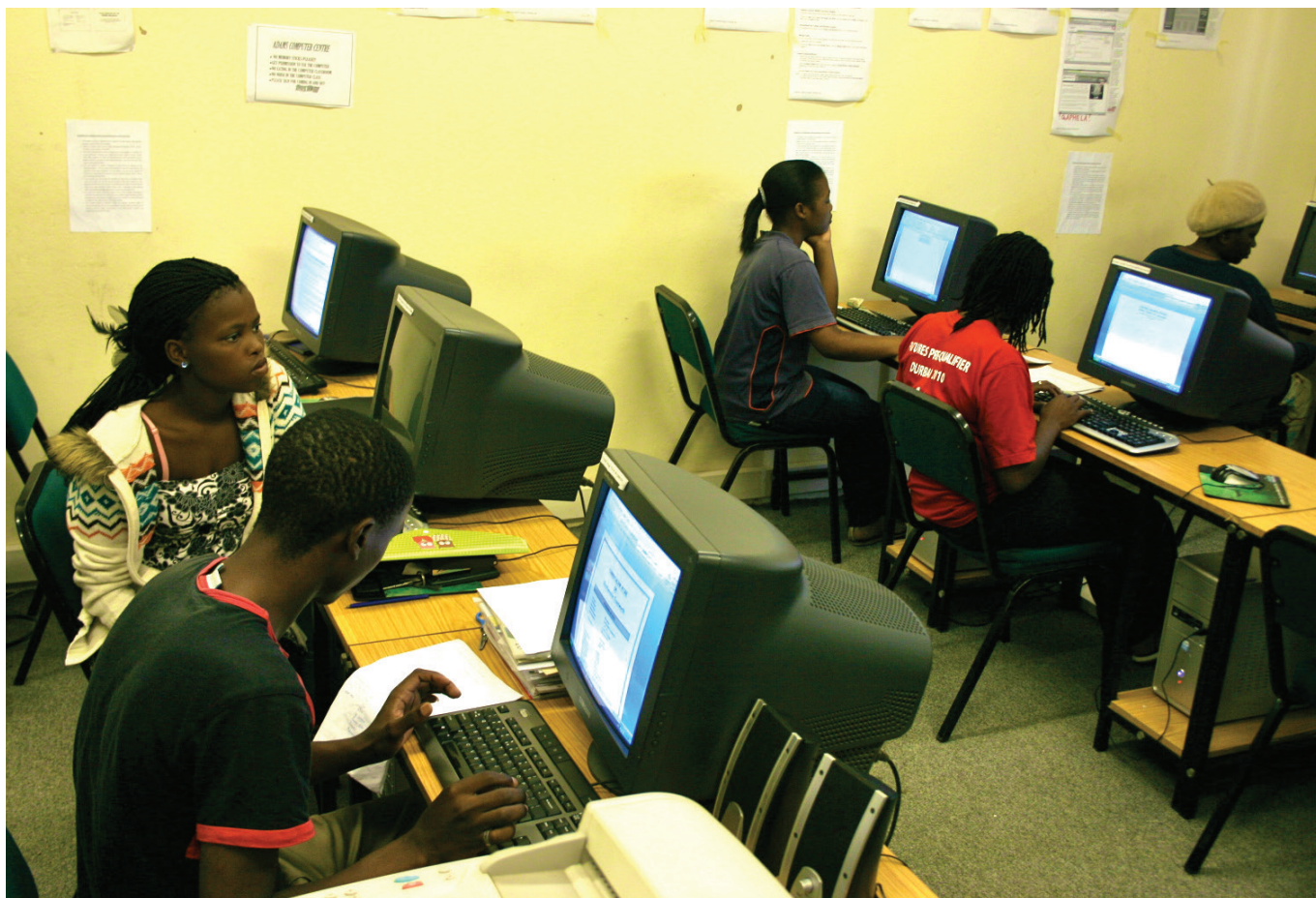
2 Government of Kenya (GoK) (2012). Economic Survey, 2012.

3 Government of Kenya (GoK) (2003). The 1998/1999 Labour Force Survey Report, CBS, Nairobi: Kenya.

4 United Nations Development Programme (UNDP) (2010). Kenya National Human Development Report: Youth and Human Development 2009: Tapping the Untapped Resource.

5 Omolo, J. (2010). Unpublished. ‘Youth Unemployment In Kenya.

6 Institute of Economic Affairs (IEA) (2010). The Dynamics and Trends of Employment in Kenya, Institute of Economic Affairs, Kenya.



trained on entrepreneurship and 1,800 youth have been assisted in marketing their products and services from the government loans and 6,000 youth have gained employment abroad.⁷

Business Process Outsourcing – Information Technology Enhanced (BPO-ITES) Services

The country is adopting both long-term and medium-term strategies to mitigate the youth unemployment trends. One industrial strategy which complements youth talent is for Kenya to position itself in the global and vibrant ICT industry, and specifically to become a regional ICT centre within the East African region. To achieve this goal, the Government of Kenya has embarked on strengthening ICT as a driver for key industries and enhancing development of technology entrepreneurs and businesses as strategic pillars. However, the disproportion of ICT access between rural and urban areas has challenged the expansion of ICT sub-sectors like the BPO-ITES sector outside of urban communities in Kenya. Most of

the BPO-ITES companies are located in the capital city of Nairobi, employing available urban workers. Several targeted Kenya ICT initiatives have been formed within the BPO-ITES sub-sector called Impact Sourcing, which is specifically geared towards creating sustainable job opportunities for people at the bottom of the pyramid.

It is indeed important to note that BPO-ITES is an emerging sector in Kenya yet there exists limited knowledge on its potential and its current position as a source of employment both directly and indirectly. To date, an estimated 7,000 BPO-ITES jobs have been created by 2012⁸. Kenya is embarking on the launch of Konza Technology city plans that estimates the creation of about 200,000 jobs in the next 20 years. This initiative hopes to create another centre in the outskirts of Nairobi and generate further BPO-ITES employment in the peri-rural areas where agriculture has been the dominant source of income.

BPO-ITES and digital talent prospects

Complementary factors to support the ICT strategy include in-

⁷ Republic of Kenya – Ministry of Labour (2012). Labour Perspectives, 2012.

⁸ Republic of Kenya (2012). Third Annual Progress Report 2010-2011 on the Implementation of the first Medium Term Plan (MTP) (2008-2012) of the Kenya Vision 2030 – Released April, 2012. Ministry of State for Planning, National Development and Vision 2030; Monitoring and Evaluation Directorate.

creased access to education at all the levels, from primary school up to the university level, increased access to financing and credit facilities for the youth, and extended access to ICT broadband through undersea fibre to spur developments in the ICT sector. Kenya has high literacy levels which stand at 79%,⁹ produces over 30,000 university graduates and over 250,000 high school graduates annually, and hosts a population with a good command of neutral English.

The BPO-ITES sector has a respectable talent pool to draw upon in Kenya. As Impact Sourcing looks for the potential within underserved populations, targeted initiatives can mean the empowerment of rural and urban youth to digital jobs as an entry point. The local industry players as well as the growth of electronic government services display encouraging signs in local in-country BPO-ITES investments. Also, the improvements of ICT training and curriculum, through the realisation of collaborations between government and BPO-ITES companies can support potential employees to fully participate in digital work according to the needed skill demands of the BPO-ITES sector.

Current ICT usage and infrastructure

Other contributors that are helping to build a digital-prepared labour force include emerging technological spaces and universal ICT ser-

vices. The Government of Kenya has put in place relevant policies that include a legal framework conducive to boost the BPO-ITES sector. Kenya is gaining a particular reputation for its technological innovation particularly from the recent developments of innovation technology hubs where emerging entrepreneurs have available space to build and promote their own mobile and software applications. From the universal ICT services sector, Pasha centres or rural ICT centres are also helping to develop local digital literacy.

The Kenyan integration of mobile applications in various mobile-enabled services such as banking and agricultural pricing are highly adopted in the country. Electronic government services have also seen the increase of digitisation of local content.

This growth of digitisation and digital integration support the BPO-ITES sector through the familiarisation of digital services by citizens within the country. Efforts to improve ICT infrastructure connectivity across the country would allow for the enhancement to ICT services in rural and underserved areas, and its growth of usage which in the end are prerequisites for online digital work.

In conclusion, the potential of the BPO-ITES sector in Kenya is expected to grow in the near future with the intention of being one of the many strategies to counter youth unemployment.

9 Republic of Kenya – Ministry of Education (2012). A Policy Framework for Education, Draft April 2012

This research brief is based on a research paper, *Wausi, A., Mgendi, R., and Ngwenyi, R. (2013). Labour Market Analysis and Business Process Outsourcing – Information Technology Enabled Services in Kenya: Poverty Reduction through Information and Digital Employment Initiative*. This Kenyan brief summarises the research and analysis done at the School of Computing and Informatics, University of Nairobi. The research project was a collaborative partnership between the University of KwaZulu-Natal, University of Nairobi and University of Ghana's Institute of Statistical Social and Economic Research. This research brief is based upon research supported by the Rockefeller Foundation and administered by the University of KwaZulu-Natal. This research brief can be found on the website: <http://sds.ukzn.ac.za>

This research brief is part of a three-country research brief series and the countries include South Africa, Kenya and Ghana. This series is hosted within the Discipline of Development Studies at the School of Built Environment and Development Studies College of Humanities, University of KwaZulu-Natal. The Discipline of Development Studies (incorporating the Centre for Civil Society) within the School aims to be a world leader in the study of the political economy of development and demography, and in the pursuit through research, training and activism of social and economic justice, both locally and globally. A leading discipline for research and teaching on development in South Africa, Development Studies also holds an international reputation for the quality of its work and the intellectual rigour with which it applies academic skills to policy challenges. It draws on the specialist knowledge of its researchers, who are nationally and internationally recognised experts in their fields.



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