

# Kenya

December 2020

## Scoping Highlights Report

CHALLENGE  
FUND  
FXR  
YOUTH  
EMPLOYMENT

# 1. Why this report?

In the winter of 2019, the Netherlands Ministry of Foreign Affairs launched the Challenge Fund for Youth Employment (CFYE). CFYE is a tool designed to create more, better and more inclusive jobs for 200,000 young people in the Sahel, the Horn of Africa, the Middle East and North Africa. The fund is looking for private sector-driven proposals from Implementing Partners that have solutions to create and improve jobs and placements for young women and men.

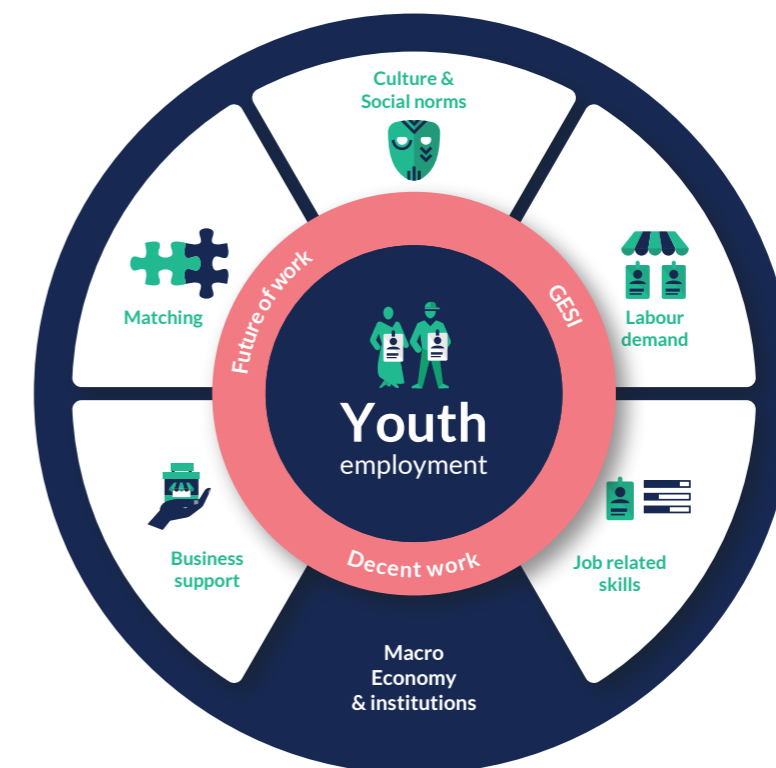
Each country has its own specific challenges around youth employment, and each its own unique opportunities to solve them. This report presents an overview of the key findings from the scoping study that was performed for Kenya.

The scoping study aims to identify the nature of the employment challenges at the individual country level, by describing the different domains of the labour market that can provide decent, inclusive and sustainable work for Kenyan youth. To this end, we consider thematic areas including labour demand, job-related skills, culture and social norms, matching and business support (see figure below). Our final recommendations are structured across three types of employment pathways: Create, Match and Improve.

The overall objectives of this research, and the CFYE's scoping studies in general, is twofold:

1. **Technical:** An analysis of the challenges and opportunities within these domains, which has been used to formulate an evidence-based, contextually responsive and demand-driven call for concept notes.
2. **Marketing:** the scoping research also has a strong marketing aspect as it enables the team to promote the Challenge Fund and engage directly with stakeholders to generate and discuss ideas.

The research informing this highlights report and the related window formulation took place from October to December 2020. Our combined international and local research team used a combination of literature studies, 30 interviews with employers and facilitators, Youth Focus Group Discussions and a survey to validate and finetune the findings presented in this report.

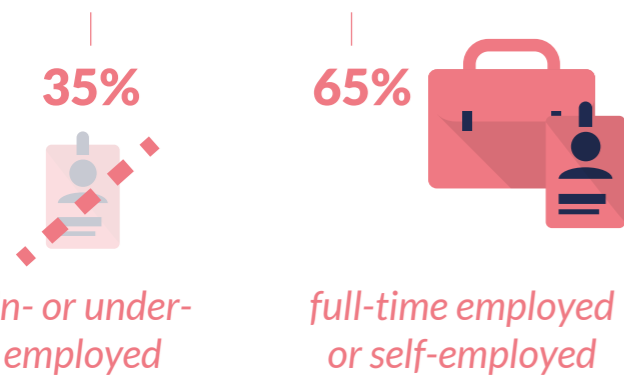
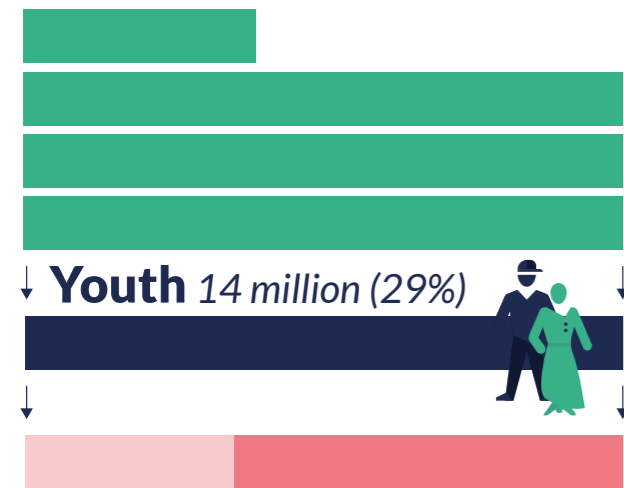


This report has been produced by the Challenge Fund for Youth Employment  
<https://fundforyouthemployment.nl/>

The Challenge Fund for Youth Employment (CFYE) is a 6-year programme funded by the Netherlands Ministry of Foreign Affairs, managed by Palladium, VSO Nederland and Randstad.

## 2. What does the problem look like?

### Total Population 47.6 million



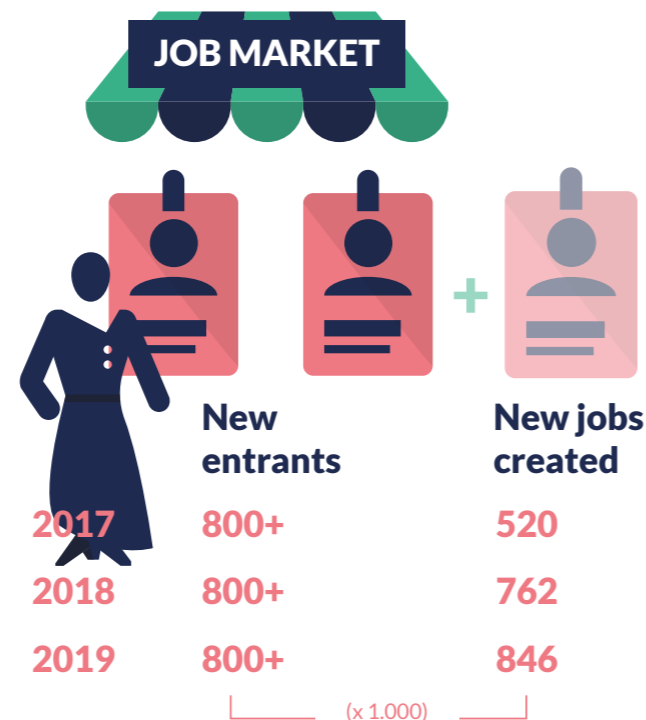
In Kenya, an estimated 35% of young men and women between 18-34 years are currently either unemployed or underemployed. The population of Kenyans aged between 18-34 years constitute 14 million or 29% of the total population. Youth unemployment is estimated to be as high as 35% (4.5 million young men and women), compared to the overall national unemployment rate of 10%. Out of this group, it is estimated that only about 17% of them are successful in securing formal jobs. Formal sector employment is only accessible to youth with secondary and tertiary education and only in the case of actual labour demand.

From a macro-economic perspective, Kenya's economic growth is not resulting in sufficient productive jobs. Every year, 800,000+ new labour market entrants enter the job market. According to KNBS, a total of 520,000 and 762,200 new jobs were created in Kenya in 2017 and 2018. In 2019, an estimated 846,300 new jobs were created. Even last year's growth rate is not sufficient to

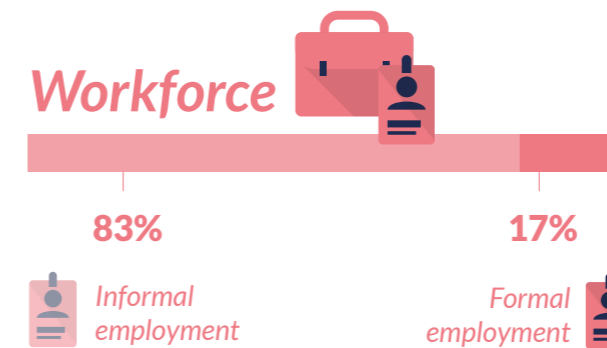
solve the problem of 4.5 million un- or under-employed young men and women.

It is estimated that the recent global economic recession and lockdown of the economy will further increase the number of unemployed or underemployed Kenyans. The total workforce in Kenya consists of 24.7 million men and women. In September 2020 the number of the total number of employed shrunk to 15.9 million Kenyans from a higher 17.8 million in March 2020. Youth are disproportionality affected by the impact of economic downturn that partially relates to COVID19. Employers usually apply a 'last in, first out' mechanism that benefits experience and age. The same applies for recruitment related to any new jobs created in a situation where there is abundance of labour supply and limited labour demand. Some sectors, however, do prefer young, bright and flexible minds. This includes, for example, the ICT sector.

Most of the economic growth in Kenya is in the informal sector, which creates most of the new jobs and employs the vast majority of young people. Kenya has a dual economy; a large and rapidly growing informal economy, and a small, relatively stagnant formal economy. The most recent KNBS Economics Survey estimates that the informal sector accounts



for 83% of employed people in Kenya. It is estimated that at least 90% of all new jobs are informal. Informal employment poses many disadvantages including less income security and little access to financial services.



Young people are more likely to face difficulties securing full time employment. Young women and youth in urban areas are more likely to be unemployed and youth in rural areas are more likely to be underemployed. While the youth unemployment rate is higher in urban areas (ranging from 35 to 60 per cent, vs. 20 to 25 per cent in rural areas; UNDP 2013), the absolute number of unemployed youth is higher in rural areas. Under-employment is higher in rural than in urban areas with many workers relying on seasonal work and subsistence agriculture (although unemployment is higher in cities).

Kenyan women, particularly young women, experience higher rates of unemployment and underemployment compared to men. The average female rate of unemployment is more than 10 percentage points higher than the male rate. The gap is larger at younger ages than at older ages. At its highest point (ages 15-25) the female unemployment rate is almost 50%, compared to a male rate slightly above 30%. Young women often have constrained access to the labour market and the formal labour market in specific because of cultural and social norms, average education levels and constraints on time due to childcare and housework.

Decent work measures in Kenya are mainly targeted at government employees and in many cases these measures are still lacking. State governments have indicated that they cannot afford it. It also isn't being implemented and/or enforced in the private sector. As illustration, many employees in Kenya are not earning the minimum living wage, especially so in the informal sector. The minimum wage differs based on location and job category and varies between Sh 6,736-30,000 per

month. Using the Living Wage Indicator, the monthly living wage for a Kenyan individual has been identified between Sh 23,400 to Sh 31,700 and Sh 52,800-68,300 for a typical family of two parents and 3.8 children. However, in reality, 34 percent of Kenya's working population earns less than US\$1.90 (€ 1.75 or Sh 211) a day so less than the minimum wage and way less than the living wage.<sup>1</sup>

The following sectors are considered high potential employers for youth: Agribusiness, Trade, Renewable Energy, ICT and Creative Industries.

The CFYE has a specific interest in co-funding projects in sectors that, in general, can meet the following criteria:

1. The sector has observed labour demand (scoring: High or Medium)
2. The sector matches youth's skills and interests (scoring: High or Medium)
3. The sector has the potential to create high productivity jobs without negative environmental and social impact (scoring: High)
4. The sector provides employment opportunities for youth with a variety of education levels (scoring: at least 2 out of 3 types of educational background)
5. The current size and development of the sector offers the potential for job creation at scale (scoring: High or Medium)



<sup>1</sup> [www.wageindicator.org](http://www.wageindicator.org)

6. The sector is (perceived as being) relatively gender-inclusive (scoring: High or Medium)

The next table provides a quick assessment of the employment potential for a selection of sectors. These sectors have been pre-selected based on an extensive literature assessment and the most commonly mentioned high potential sectors by the Government of Kenya and key development partners, including the World

Bank Group. Sectors meeting at least 4 out of the 6 requirements are considered high potential sectors. Annex 1 contains a more detailed explanation on the reasoning behind this scoring.

The assessments reflect the team's well-informed personal assessments based on desk research validated by youth aspiration sessions and interviews with employers & relevant development partners.

Sectors	Labour demand	Youth interest, Women interest	High productivity No harm	Education level*	Scale	Gender opportunities
1 Agriculture & Agribusiness	H	L, H & H, H	H	H, M, L	H	M
2 Trade	M	M, M	M	M, L	M	H
3 ICT	M	H, L	H	H	L	M
4 Transportation	M	L, L	L	L	M	M
5 Manufacturing	M	M, M	H	H, M, L	M-H	M
6 Construction	M	M, L	M	L	M	L
7 (Renewable) Energy	L-M	H, H	H	H, M, L	M	M
8 Catering & food services	M	M, H	L	M, L	H	H
9 Financial services	L	H, M	M	H	L	M
10 Creative industries	M	H, H	M	H	L	H

Legend: H=high, M=medium and L=Low potential.

Light green cells are indicators that meet requirements.

\*This indicator refers to the variety of jobs available within a sector and their average required education level. The legenda is slightly different from the other indicators: H= university education, M= TVET education, L=Up to secondary level education. A sector needs to be able to offer sizeable employment options for at least two education levels.

### 3. Who are the youth?

It is clear that Kenya has an abundance of young men and women looking to make a decent living in their desired profession. Although this objective is generally universal, Kenya's youth are a heterogenous group that experience different levels of challenges and opportunities on their pathway to employment.

Some key observations apply across the majority of young men and women:

- ▶ Youth aspirations vary extensively and closely depend on youth's education level, cultural context, geographical location and role models.
- ▶ In general, most young people do not want to work in the informal sector and only do so out of necessity rather than choice.

- ▶ The skill sets and aspirations of Kenya's young generation are often disconnected from the realities and demands of the actual labour market.
- ▶ Entrepreneurship has come out as the biggest opportunity for the youth, especially in creative arts, agribusiness, and online working. However, there is minimal support and unfriendly/unfavourable conditions to run businesses.

This CFYE scoping study has aggregated the Kenyan youth into four overarching categories based on their overall potential for sustainable and decent(self-) employment. To this end, we have considered three key indicators: i) their level of education/ skills, ii) whether they are based in rural or urban areas and iii) the type of job they have or aspire to have.

### Category 1

**Marginalized, vulnerable youth distanced from the labour market.** This includes youth with little education, young mothers from poor backgrounds, persons with disability, and youth from ASAL areas. Most youth in this category have multiple vulnerabilities and most struggle earning a living in their daily lives.

*Estimated at 15% of all youth*

### Category 2

**Rural- or semi-urban based youth with access to only/ mostly unsustainable self-employment options** but no additional social or physical challenges. These youth normally live in peri-urban areas and often engage in agricultural activities. The highest level of education for most of them is either secondary or they may have done certificate level courses. This group need training opportunities to boost their skills in both entrepreneurship and employment opportunities.

*Estimated at 60% of all youth*

### Category 3

**Youth with technical education (TVET)** being able to become technical craftsmen. This is the category of youth who are self-employed or employed formally. Their study areas include mechanization, welding, plumbing, electricians, beauticians etc. This group has been growing with time, with an increasing number of youths wanting to get hands-on or technical skills and be self-employed.

*About 20% of all youth (The World Bank Group, 2020)*

### Category 4

**University-educated youth based in urban areas looking for formal employment or successful self-employment.** These youth live in the cities like Nairobi, Kisumu, and Mombasa, and face huge competition on the (formal) job market.

*About 4% of all youth (The World Bank Group, 2020)*

The visual on page 10 indicates how these categories relate to each other based on the three key criteria (location, education, preferred or possible type of employment) but also in terms of estimated volume.

Youth that are highly likely to be impacted by the economic crisis following the COVID-19 pandemic. This in particular concerns any youth in informal employment (without formal labour rights) and youth within the 15-24 age group who are just starting to look for work. The dearth of new jobs is compounded by a large number of young people who recently became unemployed as a result and who are also looking for work.

The CFYE hopes to support private sector-led solutions that create decent employment for all categories of youth. This requires amongst others a formal adherence to 'decency' indicators including minimum level wage, minimum and maximum work hours and safe working conditions. As such, we will only co-fund projects that can meet these requirements, automatically excluding any survivalist enterprises and inherently informal jobs. As such, we expect many of the Kenyan submissions to focus on serving youth categories 3 and 4. However, CFYE is very interested in projects that support youth in categories 1 and 2 and do wholeheartedly invite applicants with business ideas in that area to submit a proposal.

We gathered additional primary input on youth's aspirations, challenges and recommendations towards their pathway to employment. Nine Focus Group Discussions were hosted – at least two per youth category. The table below introduces the key outcomes per youth category, structured by Challenges and Recommendations.

### Category

### Example of a youth

### Challenges

### Recommendations

#### 1: Youth distanced from the labour market

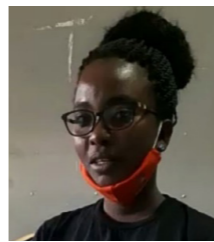


**Harrison Kariuki**, 30-year old deaf youth based in Nandi, was unemployed for a long time, and finally got a job at the government as a social development officer. Harrison says the biggest challenge has been for deaf children and youth accessing quality education, which affects their employability. He hopes to start a school in future, for his peers to get access to life-long learning opportunities and access employment opportunities in line with their interests.

- ▶ Opportunities do not address their unique needs – their education level, disability status or employer expectations of hours worked
- ▶ Uneven job competition grounds – competing for job opportunities with able bodied peers, or exposed urban youth

- ▶ Promoting inclusion and safe working environments

#### 2: Rural- or semi-urban based youth with only/ mostly access to unsustainable self-employment options



28-year-old **Maureen Mwakio** is from the rural Kilifi county. A form four leaver (O-Level), and currently not employed. Maureen runs her own business. She hopes to get training in agriculture and business and employ herself because most public and private sectors are looking from experience, which many youth don't have. She says if the youth are trained and given grants to start their own businesses, that will help reduce the rising unemployment rate in Kilifi, and eventually Kenya.

- ▶ Lack of information on available opportunities. Nepotism, Tribalism and corruption in recruitment
- ▶ Unfavourable climate conditions and quality farm inputs for agribusiness opportunities

- ▶ Need of creating information hubs
- ▶ Building climate resilient agribusiness ventures throughout the value chain
- ▶ Social accountability and advocacy

#### 3: Youth with technical education (TVET)



**Florence Chege**, a TVET graduate based in the peri urban Machakos county, is currently not employed, and is keen to start a beauty shop. She studied something totally different in school and looked for platforms for her to learn while on the job. She aspires to own a beauty shop because that's where her passion is. Florence says training on beauty, and capital will help her make her dream a reality.

- ▶ Self-esteem and confidence hinders TVET youth from applying for jobs – fear of employer expectations and standards.
- ▶ Unfavourable government policies for businesses e.g. permits, licences

- ▶ Training on Life Skills and Resilience
- ▶ Creating an enabling business environment for startups – government systems and policies

#### 4: University-educated youth based in urban areas



**Robert Gitau** is 23-year-old a university graduate, with a bachelor's in actuarial science, based in Nairobi. He says he hasn't been employed because he doesn't qualify for most jobs. He needs access to professional exams, avenues to gain experience. His aspiration, however, is to be self-employed, in the creative design sector. His biggest barrier is access to capital, as the permits are very expensive.

- ▶ Discrimination by employers - most prefer diploma holders to degree holders
- ▶ Lacking relevant skills required in the job market
- ▶ Challenging job requirements incl. extensive experience, too much credentials documents

- ▶ Promoting inclusion of university graduates in the employment sector
- ▶ Need for reskilling in sectors with job opportunities
- ▶ Apprenticeship and Internships

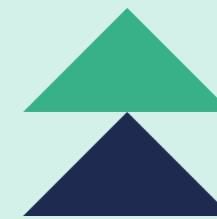
## 4. What are the main obstacles and opportunities for youth employment in Kenya?

We have mapped out the challenges and opportunities of the labour market, to identify where the Challenge Fund for Youth Employment can be most impactful. These observations are structured across three pathways to decent employment, namely Create, Match and Improve. This presentation will provide guidance to the focus and type of interventions that are required to increase access to decent employment for youth in Kenya.



### Create

A young person takes up work or a job/role that has been newly created as a result of the intervention.



### Improve

A young person experiences improvements in working conditions within the job/work/role they already have, as a result of an intervention.

Improvements may be related to:

- Income/ productivity and benefits;
- Working hours and work/life balance;
- Health, safety and well-being;
- Security of employment and social protection;
- Personal development

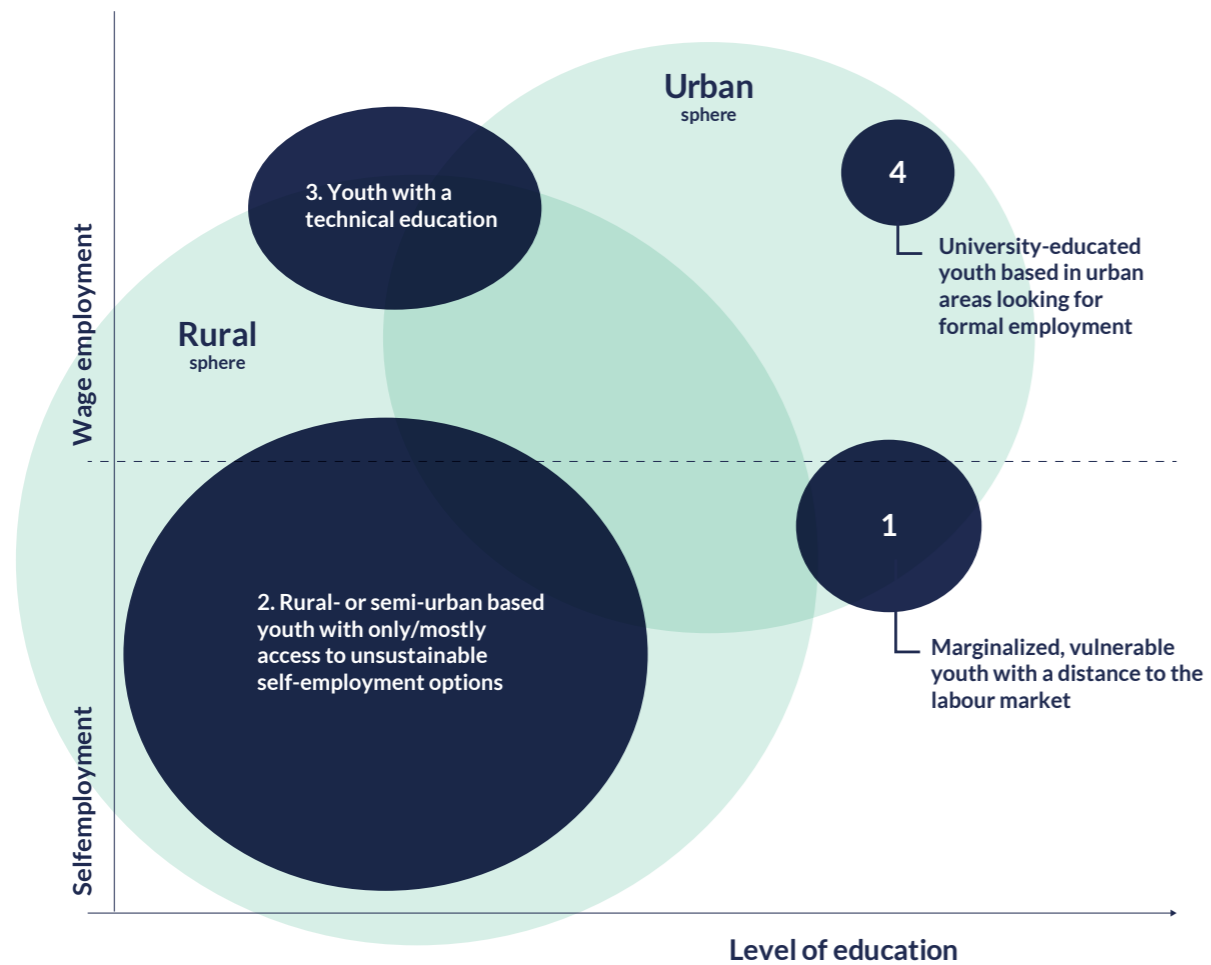


### Match

A young person is matched with or finds a job that exists independent of CFYE interventions.

These matches result from efforts such as:

- Matching or career development services;
- Youth-targeted HR strategies;
- Supply-side interventions focused on improving employability



An impression of Kenya's youth based on key characterizations

## 4.1 Create

### Key facts

- ▶ Kenya's economic growth is slowing down from 5.7% in 2019 to 1.5% in 2020, hindering the expected growth and therefore labour demand across most sectors.
- ▶ Businesses -especially in the informal sector- employ about 80% of the labour market in Kenya.
- ▶ Most new jobs (+90%) are created in the informal sector, and for youth many of these concern self-employment options.
- ▶ Agriculture is the biggest employer in rural areas. In urban areas the services sector is the biggest employer. The majority of jobs are available in rural areas, but these are mostly informal and require limited skills.

### Challenges

- ▶ Kenya's economic growth is not creating enough jobs to absorb new entrants into the market.
- ▶ Formal larger organisations and corporates are not able to absorb numbers. Most wage employment comes from SMEs, therefore at small scale per enterprise.
- ▶ Many SMEs lack business skills and access to credit/funding or markets to grow their business
- ▶ Employers prefer male pre-trained and practically experienced staff. Lack of entry-level jobs is another challenge.
- ▶ The COVID-19 pandemic is affecting many sectors –both formal and informal – and will lead to an overall decrease in new jobs created.
- ▶ Startups are likely to fail in the first two years, or stay micro-size. Government policies for starting a business are unfavorable.

### Opportunities

- ▶ Kenya has a growing informal sector of mostly micro-, small and medium businesses.
- ▶ Companies in high growth and high value sectors experience the most growth in labour demand. Based on (relative) growth and related job creation potential and potential for women, we recommend these sectors: agribusiness, ICT, education, trade, transport, renewable energy, creative industry, manufacturing, construction.
- ▶ We observe market opportunities for replicable and scalable business and operational models, including semi-employment using agency models and E-Commerce
- ▶ As a result of the global 4th industrial (digital) revolution, the way we live and work is changing. Digital innovation can help many Kenyan business models improve their business performance and/or tap into new markets. There is more demand for digital skills. This trend is observed across sectors.
- ▶ Kenya has an active BDS and A2F offer to help SMEs and startups improve financial & social sustainability.

### Relevance for CFYE

- ▶ The CFYE call for proposals should include a strong focus on proposals in productive sectors that (can) support rural youth and women and support financially and socially sustainable economic growth, like agribusiness & food-processing and Clean Tech to stimulate labour demand.
- ▶ CFYE should support businesses that provide technology B2B services for increased resilience, for example e-commerce, e-payments and digitally driven management models.
- ▶ CFYE should focus on semi-employment models as high-potential employment models in the call for proposals as this recognizes the fact that the highest share of Kenya's formal employment takes place in SMEs.

### Practical example of an interesting project idea for CFYE

A post-pilot agribusiness company requests CFYE funding to scale up their business model that connects agents (providing the agribusiness's standardized training, inputs or mechanization services) to farmers. The agents connect with the company through a centralized platform for farmer management services, order placement and payments using mobile money. The agents are self-employed but the company ensures they have access to all products and the e-commerce platform. Market demand for the products and services is confirmed.

## 4.2 Improve

### Key facts

- ▶ Kenya's urban formal wage sector employs less than 900,000 people –less than one quarter of the work force. The informal sector provides 83 per cent of all current employment opportunities, most of which are in SMEs.
- ▶ The minimum wage differs based on location and job category and varies between 6.736-30.000 Sh per month. The living wage for an individual has been identified between 23,400 KSH to 31,700 KSH and 52,800-68,300 KSH for a typical family of two parents and 3.8 children.
- ▶ Even in the urban areas there are limited training opportunities for youth, and only about 27% of trainings provides a formal certificate to be used as credentials.
- ▶ 30% of formal employees and 7% of informal workers followed a training in the last 12 months.

### Challenges

- ▶ Personal Development and opportunities for on the job training are low, especially for informal workers which decreases their chances to get into a more formal employment.
- ▶ Lack of official certification of education hinders youth to get into (semi-) formal employment or more decent employment in general.
- ▶ Self-employment is the most common type of employment for youth, but this type of employment is generally not sustainable or decent.
- ▶ Informal wage contracts often lack decency. Informal contracts result in insecurity and volatile incomes. Youth are the first to go in case of economic downturn.
- ▶ Since the economic downturn some jobs (for example supporting services such as cleaning and catering at corporates) that were earlier classified as formal are now outsourced or being handled as informal contracts which leads to underemployment.
- ▶ Especially smaller companies lack HR processes and resources. This often leads to a wrong job-employee match, which leads to low job satisfaction, low productivity and a job that is not sustainable.

### Opportunities

- ▶ Providing official certification (for technical skills in particular) will improve opportunities for youth to formalize their work. This opportunity closely links with the Match category.
- ▶ Some sectors and business models (for example value chain-based aggregation models for farmers) are integrating sustainability and inclusion principles that provide good case practices and relevant learnings for others.
- ▶ Most Kenyans have multiple sources of income, and decent employment opportunities can cover part-time jobs in addition to full-time employment.
- ▶ Opportunities for skill development on the job can lead to more productive work and motivated workers who can develop themselves and get more employable.
- ▶ Improvement of HR strategies and processes but also the business model and related type of contracts available (from informal to semi-formal and formal) can lead to more sustainable jobs.

### Relevance for Challenge Fund for Youth Employment

- ▶ **Improve** youth-focused employment initiatives funded by CFYE should focus on:
  - ▶ Skills training on the job for new or existing employees including a certification of skills as part of the programme
  - ▶ formalizing informal contract and providing more job security, decent wage and social security
  - ▶ Improvement of HR processes and strategies
- ▶ Eligible projects for CFYE funding can cover both formal and informal jobs, and both part-time and full-time jobs, as long as they can meet decency requirements.

### Practical example of an interesting project idea for CFYE

A digital training programme is offering a certified software development training to youth. This programme is also offered to partnering employers as an opportunity to upskill their existing staff. As part of the agreement to offer the skill training the employer will commit to formalize the contracts of their employees – who in addition will also receive a formal certificate on training completion that can be used for future use.

## 5.3 Match

### Key facts

- ✦ There is a mismatch between education and the labour market demands. Many employers feel graduates are not well prepared for actual employment in their field of study.
- ✦ Office jobs are often advertised through more formal channels like platforms and websites while more practical jobs requiring less skills are often advertised informally.
- ✦ Accessing formal and informal job opportunities is particularly challenging for young women due to traditional norms and values favouring male employers, but also practical limitations such as responsibility for childcare and household duties interfering with 'office' hours.

### Challenges

- ✦ Lack of opportunities, youth take any available job – which is usually not the best match to their skills and ambitions.
- ✦ Job requirements are generally not favorable for youth as both informal and formal sector prefer higher experience levels. There are limited entry-level jobs in the formal labour market and usually plenty of credentials or certifications are required which many youth do not have.
- ✦ Inequality is rampant in the matching sphere: youth with limited funds, lower education, lack of personal and/or digital networks and limited access to internet have challenges applying for jobs due to lack of information but also nepotism, tribalism and corruption.
- ✦ Youth are not fully prepared for the labour market after graduation and companies have to invest when hiring them – this is a challenge especially for smaller companies
- ✦ Companies hiring the 'wrong' employee (through lack of HR processes or because they chose someone from their own network above a qualified person) can lead to higher costs for the companies and an unproductive worker
- ✦ Self-esteem and confidence hinder youth from applying for jobs – fear of employer expectations and standards.

### Opportunities

- ✦ There are sectors and sub-sectors with job-opportunities where matching is still sub-optimal, these can be banked upon by targeted and practical reskilling or improved matching processes in general.
- ✦ There are some active examples of initiatives that bridge the gap between employers and training institutions and facilitate closer collaboration in the development of curricula. This should be expanded on to increase job readiness of graduates.
- ✦ There are also several active platforms for matching demand and supply which can support matching efforts in the Kenyan ecosystem.
- ✦ Practically skilled youth (including TVET and youth that has done internships/traineeships) seem relatively well prepared for the job skills required in the 'real world'.
- ✦ Additional skills training and creation/ improvement of information hubs can support the inclusion of less wealthy or less connected youth.
- ✦ Good recruitment strategies can lead to less nepotism, a better match between employer and employee and more inclusion.

### Relevance for Challenge Fund for Youth Employment

- ✦ **Match-focused** youth employment initiatives funded by CFYE should focus on:
  - ▶ Projects that bridge the skills gap between labour demand and labour supply (graduates) through the establishment of a relationship between employers and educational institutes
  - ▶ Skills training programmes that prepare the youth for the labour market
  - ▶ The inclusion of a well thought through recruitment strategy to ensure the right match and inclusion
- ✦ Any match-related projects i) need to confirm actual market demand for products and services – and hence confirmed labour demand and ii) require a confirmed consortium partner or partners willing to employ at least a large share of the involved youth in decent jobs.

### Practical example of an interesting project idea for CFYE

- ✦ An informal sector focused recruitment platform supports a number of carefully selected employers while formalizing and improving their recruitment process. In addition, they work with several educational institutes to connect these employers with well-trained graduates with a variety of specializations and sub-sectors.

# 5. A call for solutions

This highlights report has presented a concise overview of the key challenges and opportunities characterizing the youth employment ecosystem in Kenya. Please find

below a summary of our observations and a related call for solutions.

## The Challenge

**Kenya has a large population of job seekers that grows every day.** Today, more than 35% of Kenya's youth population (17 million) is unemployed or underemployed. For young women, this figure can even reach 50%.

**There are not enough jobs available to decrease the current volume of unemployed young Kenyans or even for all young people entering the labour market.** Kenya's economic growth – and hence labour demand- has further slowed down due to the current COVID-19 crisis' related slow-down of local and international markets.

**There are a few sub-sectors with growing labour demand and the potential to support economic growth.** The following sectors are considered high potential employers for youth based on amongst others youth's skills and interest as well as labour demand: Agribusiness, Trade, Renewable Energy, ICT and Creative Industries (see Annex 1).

**Most new jobs created continue to be low productivity self-employed or informal wage jobs.** Kenyan labour demand is characterized by informal (self-)employment, which tends to be relatively low paying jobs with limited social and personal protection.

**Interviewed youth indicate a diverse set of aspirations but confirm the need for interventions to respond to localized challenges and opportunities.** Despite

unfavourable conditions and minimal support, entrepreneurship is considered a big opportunity for the youth especially in creative arts, agribusiness, and online working. For those seeking employment, upskilling, and reskilling have been key but are expensive. The majority of youth is looking for traditional and/or innovative channels with information on training, development and employment opportunities.

**For sustainable economic development that has the potential to transform the lives of Kenyan households, there is a need for higher productivity jobs with higher levels of value addition – therefore resulting in higher GDP per capita.** This requires a three-dimensional shift:

- ✦ **A shift to more productive sectors** that create more value for the economy, for example from primary agriculture to the use of technology in farming: investing more in value chains, food processing, manufacturing, and construction.
- ✦ **Developing more productive sub-sectors with specific services and products that help other (sub)sectors perform better,** for example, business development services and technological innovations.
- ✦ **A shift from lower productivity self-employment to (semi-)formal employment in productive firms**

## Call for solutions

Our research has shown us that despite a wide range of challenges to youth employment, there is clear potential for young women and men to find decent employment. We have formulated two specific windows that focus on two sub-sectors: Digital Business Development Services and Green Jobs. CFYE wants to co-invest in innovative private sector-led initiatives that provide businesses with access to suitably skilled personnel and help them to increase their employment of youth between the ages of 16-35. The following general criteria for eligible proposals apply:

- ✦ **Employment type:** Initiatives in both the informal and formal sectors are eligible. However, they should focus on wage employment or semi-employment (working with agents or other semi- self-employed positions as part of a company's business model). Fully independent self-employment without a matching mechanism with confirmed off-takers of products or services is not eligible.
- ✦ **Business Development stage:** We are looking for readily tested concepts ready for scaling up or scaling



out (meaning already scaled up but ready to diversify). Idea stage ideas are not eligible. Lead applicants need to have been in active business for at least 2 years.

- ▶ **Lead applicant:** Both companies and NGOs are eligible as lead applicants, but there should be a business in the consortium (with confirmed labour demand) if an NGO is the lead applicant.
- ▶ **Minimum number of jobs:** The minimum number of jobs that need to be created, improved, or matched is 500, although we hope to receive proposals with higher numbers due to the focus on agency style business models.

- ▶ **Decency of work:** Basic requirements include an average monthly income at living wage level (at least Sh 23,400 depending on location), no more than 48 hours/week of work and jobs are maintained for at least 6 months.

Despite having identified a more comprehensive range of thematic opportunities (sub-sectors and skillsets), we must finetune our focus as a Challenge Fund. From a practical perspective, limiting the thematic focus and other eligibility criteria ensures that we receive a manageable number of proposals. Another key reason is that this ensures that we will be able to maximize our co-funding's impact by investing in projects that directly create or improve employment for youth and have a

broader indirect positive impact because of the nature of the business.

We have selected the two thematic focus-areas based on our labour demand assessment<sup>2</sup>, which in turn considered 1) observed unmet labour demand, 2) match to youth's need and interests, 3) opportunity for cross-sectoral flexibility with one skillset, and 4) potential for high

<sup>2</sup> See Section 2 and Annex 1

productivity jobs with negative environmental or social impact.

- ▶ **Thematic focus:** Eligible projects need to focus on one of two windows: Digital Business Development Services or Scaling up Green Jobs.



## Window 1 Digital Business Development Services

**Definition.** Digital Business Development Services use technology to create new value in business models, customer experiences and the internal capabilities that support its core operations. This covers both digital-only brands and traditional players that are transforming their businesses with digital technologies.

**Situation.** This window is relevant for both the demand- and supply sides of the labour market. Youth are generally interested in innovative and digital ways of working. Digital BDS developments can support many other actors on the demand side – be it individuals or businesses- to improve their own businesses (B2B) or improve access to products and services (B2C). This subsector also allows companies and organisations to deploy their employees more remotely. Although direct digital business models are usually developed and deployed in urban and semi-urban areas, it can also be a solution to connect with rural markets.

This window cuts across more than one (sub-)sector and can include ICT, e-commerce, creative sectors, and digital agribusiness solutions. Hence, this window allows for a variety of private-sector driven project ideas, and we invite you to be creative yet build on market demand.

Examples of eligible project ideas relate to:

- ◀ Informal and formal job-matching platforms or apps with confirmed employers
- ◀ Supplying or using digital business management tools, like digital data management models for service delivery
- ◀ E-commerce & related delivery models for MSMEs and corporates providing both digital or logistical jobs for either employees or semi-employees (e.g. independent transporters hired by company)



## Window 2 Scaling up Green Jobs

**Definition:** Green growth means fostering economic growth and development while ensuring that natural assets continue to provide the resources and environmental services on which our well-being relies.

**Situation.** The majority of unemployed and underemployed youth are based in rural areas. The labour demand in rural areas is often agriculture-related and usually seasonal and therefore, volatile. The offered jobs often require limited skills, offer limited security, and have low productivity or added value to local economies. At the same time, Kenya has a wealth of natural resources that is not optimally used.

This window invites applicants that have already tested innovative business models, products, or services in the green growth landscape. Our envisioned applicants are ready to scale up their activities, which involves a significant increase in their labour demand.

We are specifically looking for jobs to be created within 'green' business models. Green business models refer to companies or organisations with productive

and environmentally & socially sustainable activities in amongst others the following sectors: agriculture, agribusiness, renewable energy, waste management & recycling.

We are also very interested in employment creating projects focused on greening traditionally not sustainable business models/cases like construction, manufacturing, and transport. In general, any clean tech-based business models would be eligible.

Examples of eligible projects:

- ◀ Value addition solutions that increase/diversify sales by higher or alternative processing levels, creating additional product variety, making use of excess produce, and even creating opportunities for other sectors to generate income from crop and animal products.
- ◀ Circular economy initiatives supporting waste management while creating demand for recycled products like plastics and animal feeds.

# *Annex 1: Sector Analysis*

The assessments reflect the team's well-informed personal assessments based on desk research validated by youth aspiration sessions and interviews with employers & relevant development partners.

Table on next page.

Sectors	Potential to create jobs for youth (especially Post COVID-19)	Opportunities for women	Interest of youth and women to work in the sector	Required skills level
<b>Agriculture/ Agri-business</b>	<p><b>High</b></p> <ul style="list-style-type: none"> <li>Currently the highest employer of labour (36% of workforce) and is likely to receive increased focus from the government to ensure national food security.</li> <li>First job for rural male youth between the ages of 15-24.</li> <li>Offers opportunities for youth (especially in new areas like Ag-tech, Storage/logistics and Mechanization).</li> </ul>	<p><b>Medium</b></p> <ul style="list-style-type: none"> <li>Depends on type of job and supply chain. Young women typically involved in non-farm activities (except for a very small number in rural areas that are involved in subsistence farming)</li> </ul>	<p><b>Low-Medium</b></p> <ul style="list-style-type: none"> <li>Youth consider primary agriculture an unattractive sector but are more open to innovative farming or agribusiness.</li> <li>Core farming is regarded as manual labour and women traditionally perform non-farm jobs like processing and sales.</li> </ul>	<p><b>Unskilled - Semi-skilled</b></p> <ul style="list-style-type: none"> <li>Depending on the value chain and type of job. High demand for farmers for outgrower schemes (informal and low-skilled).</li> <li>Agro-processors have need for technically skilled workers and digital jobs related to the sector require low-medium skills.</li> </ul>
<b>Trade</b>	<p><b>Medium</b></p> <ul style="list-style-type: none"> <li>2nd largest employer after agriculture</li> <li>Largely informal</li> <li>Opportunities for trade in local products and digitization of sector (especially post COVID-19)</li> </ul>	<p><b>High</b></p> <ul style="list-style-type: none"> <li>Currently one of the sectors that engages the highest number of women</li> </ul>	<p><b>High</b></p>	<p><b>Unskilled - Semi-skilled</b></p> <ul style="list-style-type: none"> <li>Low skills required for actual trade, but medium skills will be needed for digital jobs</li> </ul>
<b>ICT</b>	<p><b>Medium</b></p> <ul style="list-style-type: none"> <li>Seen as a high growth sector that has a high labour demand (currently biggest employer of talent)</li> <li>Opportunities from business adopting technology to enable/enhance remote work and reach customers. Also, emergence of new industries such as fintech, ag-tech, health-tech, ed-tech and e-commerce driving growth in sector and labor demand.</li> </ul>	<p><b>Medium</b></p> <ul style="list-style-type: none"> <li>STEM training and high drive to close gender disparity in sector. However, higher number of uneducated women means less women are qualified to take up positions.</li> </ul>	<p><b>Medium-Low</b></p> <ul style="list-style-type: none"> <li>Perception that roles in the sector are for men</li> </ul>	<p><b>Semi-skilled to High skilled</b></p> <ul style="list-style-type: none"> <li>Requires mostly skilled individuals and draws the most talent with post-secondary education</li> <li>Targeted at educated youth in urban areas</li> </ul>
<b>Transportation/ Logistics</b>	<p><b>Medium</b></p> <ul style="list-style-type: none"> <li>Growth in sector and labour demand driven by government investment in sector, entry of foreign players. Growth in logistics driven by digitization of retail sector and increased light manufacturing activities. Some areas (such as road and logistics) will rapidly recover post COVID-19.</li> </ul>	<p><b>Medium</b></p> <ul style="list-style-type: none"> <li>Opportunities for women in several aspects of the value chain – admin, sales, booking etc.</li> </ul>	<p><b>Low - Medium</b></p> <ul style="list-style-type: none"> <li>Perception that roles in the sector are for men.</li> </ul>	<p><b>Unskilled - High-skilled</b></p> <ul style="list-style-type: none"> <li>Skills dependent on the type of job</li> </ul>
<b>Manufacturing</b>	<p><b>Medium</b></p> <ul style="list-style-type: none"> <li>Sector was growing but is hit hard by COVID-19.</li> <li>High demand for technically skilled workers</li> </ul>	<p><b>Medium</b></p> <ul style="list-style-type: none"> <li>Opportunities for women in formal light manufacturing or informal household enterprises.</li> </ul>	<p><b>Low - Medium</b></p> <ul style="list-style-type: none"> <li>Traditionally male dominated sector and perception that roles in the sector are for men.</li> </ul>	<p><b>Semi-skilled to High skilled</b></p> <ul style="list-style-type: none"> <li>Skills dependent on the type of job. Skills development necessary for blue-collar jobs</li> </ul>
<b>Construction</b>	<p><b>Medium</b></p> <ul style="list-style-type: none"> <li>Growth in demand is driven by demand for housing and public infrastructure.</li> <li>High demand for technically skilled works such as electrical engineers, welders, etc.</li> </ul>	<p><b>Low</b></p> <ul style="list-style-type: none"> <li>Traditionally viewed as a male dominated sector</li> </ul>	<p><b>Low</b></p> <ul style="list-style-type: none"> <li>Perception that roles in the sector are for men</li> </ul>	<p><b>Unskilled to High skilled</b></p> <ul style="list-style-type: none"> <li>Skills development necessary for blue-collar jobs</li> </ul>
<b>Power/ Renewable Energy</b>	<p><b>Low- Medium</b></p> <ul style="list-style-type: none"> <li>Objective volume of labour demand is still low but sector is growing quickly.</li> <li>Growth in sector and labor demand is driven by increased investment in sector by government and foreign investors.</li> <li>High demand for technical workers but also sales support.</li> </ul>	<p><b>Medium</b></p> <ul style="list-style-type: none"> <li>Traditionally viewed as a male dominated sector.</li> <li>Opportunities for women in several aspects of the value chain – admin, sales, booking etc.</li> </ul>	<p><b>High</b></p> <ul style="list-style-type: none"> <li>High interest amongst youth in innovative business models and technologies</li> <li>Perception that roles in the sector are for men.</li> </ul>	<p><b>Semi-skilled to High skilled</b></p> <ul style="list-style-type: none"> <li>Skills dependent on the type of job (especially for blue collar jobs)</li> </ul>
<b>Creative Industry</b>	<p><b>Low-Medium</b></p> <ul style="list-style-type: none"> <li>The key drivers of job creation are: design, music, film and television, fashion and craft</li> <li>Majority of the work force are freelancers, who are grossly underpaid in comparison to their foreign counterparts.</li> </ul>	<p><b>High</b></p> <ul style="list-style-type: none"> <li>Several opportunities for women in film (makeup, styling etc) and in fashion and craft</li> </ul>	<p><b>High</b></p>	<p><b>Semi-skilled to High skilled</b></p> <ul style="list-style-type: none"> <li>Skills dependent on the type of job</li> </ul>
<b>Hospitality &amp; food services</b>	<p><b>Medium</b></p> <ul style="list-style-type: none"> <li>Traditionally seen as a high value and high volume sector with a high labour demand</li> <li>One of the industries most affected by COVID-19. Some areas such as catering have taken a smaller hit. Recovery will take some time (projections are 2021)</li> </ul>	<p><b>Medium</b></p> <ul style="list-style-type: none"> <li>High prior to the COVID-19 pandemic.</li> </ul>	<p><b>High</b></p>	<p><b>Unskilled to High skilled</b></p> <ul style="list-style-type: none"> <li>Skills dependent on the type of job but mostly unskilled</li> </ul>