“ECONOMIC PAPER FOR DECISION MAKING IN TRADE UNIONS IN KENYA”

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1.0 INTRODUCTION

The Central Organization of Trade Unions, COTU (K) remains the center of excellence in trade union issues in Kenya and beyond. COTU (K) impacts positively in the social and economic outcomes following its worthy contributions to policy. Indeed, COTU (K) stands out as the most representative and outgoing trade union center in Africa. We remain committed to upholding internationally recognized labour standards and procedures that are critical in delivering the ILO agenda and the United Nations global dream coupled with Kenya's social and economic aspirations.

As such, COTU (K) follows closely the labour market trends and emerging issues domestically, regionally and globally. In this regard, this March Economic paper Issue focuses on decent job creation as this has attracted global attention and is critical to the improvement of the welfare of workers.

The paper gives an overview of the economic performance over the initial stages of 2016; a brief analysis of the Consumer Price Indices and Inflation Rates for the month of February 2016; and a brief overview of the global, regional and national labour market concerns of February 2016. We believe this paper is very critical for decision making in the labour market.

2.0 OVERVIEW OF ECONOMIC PERFORMANCE

COTU (K) learns from the Institute of Chartered Accountants in England and Wales (ICAEW) that African economies are on the rise and will averagely grow by over 4 per cent for the next five years. More importantly, ICAEW has predicted a growth of about 6 per cent for Kenya's economy between 2017 and 2020, given its diversified economic outlook and lower dependence on commodity.

The Kenya shilling has remained stable at about 103 to the dollar, given strong fiscal and monetary measures put in force by the Treasury on interest and lending rates. Moreover, the Consumer Price Index was 164.67 in February 2016 while the overall inflation rate stood at 6.84 per cent.

It is as well critical to state that Kenya's business confidence is worsening and that most companies have more intentions to fire their employees rather than hire new ones. This is doom to the more than 40 per cent unemployed youth. According to the Business Sentiment Report released by the Standard Chartered Bank, the indicator fell from 63.9 in January 2016 to 57 in February 2016, the lowest since August 2015. This indicator shows that the future of employment is at stake in Kenya, and that businesses are struggling to break even amidst tough economic times. These gloomy business expectations are a direct result of lower demand in the economy.

Finally, institutional capacity is still at large in delivering services to the people of Kenya, creating further weaknesses in macroeconomic management.

3.0 BRIEF ANALYSIS OF THE CONSUMER PRICE INDICES FOR FEBRUARY 2016

The CPI has decreased by 0.42 per cent from 165.37 in January 2016 to 164.67 in February 2016. House rents had the highest price increases of about 0.26 per cent while the Kerosene prices decreased by the highest magnitude (13.81 per cent). Moreover, food and other non- alcoholic drinks had their prices reduce by about 0.43 per cent following decrease in prices of key food items.

Notably, the cost of electricity remained intact between January and February 2016 whilst the transport index reduced by about 1.62 per cent due to the reduction in prices of petrol and diesel.

The Consumer Price Indices for the last 14 months are as shown in the table 1 that follows (February 2009=100)

Table 1: Kenya Consumer Price Indices for the period January 2015- February 2016

Month	Consumer Price Indices						
	Kenya	% change from previous month	Nairobi Lower Income Group	Nairobi Middle Income Group	Nairobi Upper Income Group	Nairobi Combined	Rest of Urban Areas
January 2015	153.43	0.61	155.65	136.19	136.86	150.24	153.43
February 2015	154.14	0.46	156.51	136.25	136.66	150.87	154.14
March 2015	155.86	1.12	158.81	137.09	137.07	152.75	155.86
April 2015	158.70	1.82	161.85	137.74	137.67	155.12	158.70
May 2015	159.98	0.81	162.09	138.95	138.93	155.63	159.98
June 2015	160.46	0.3	162.47	140.70	139.25	156.34	160.46
July 2015	160.57	0.07	162.74	141.17	141.35	156.72	160.57
August 2015	160.90	0.21	162.78	141.66	143.53	156.96	160.90
Sept 2015	161.33	0.27	163.13	142.04	143.35	157.30	161.33
Oct 2015	162.13	0.50	164.26	141.93	143.05	158.07	162.13
Nov 2015	162.97	0.39	166.02	141.75	142.70	159.29	162.97
Dec 2015	164.72	1.07	167.48	145.22	143.34	161.20	164.72
January 2016	165.37	0.39	167.60	144.24	144.30	161.09	165.37
February 2016	164.67	-0.42	166.90*	143.63*	143.69*	160.41*	164.68*

Source: KNBS

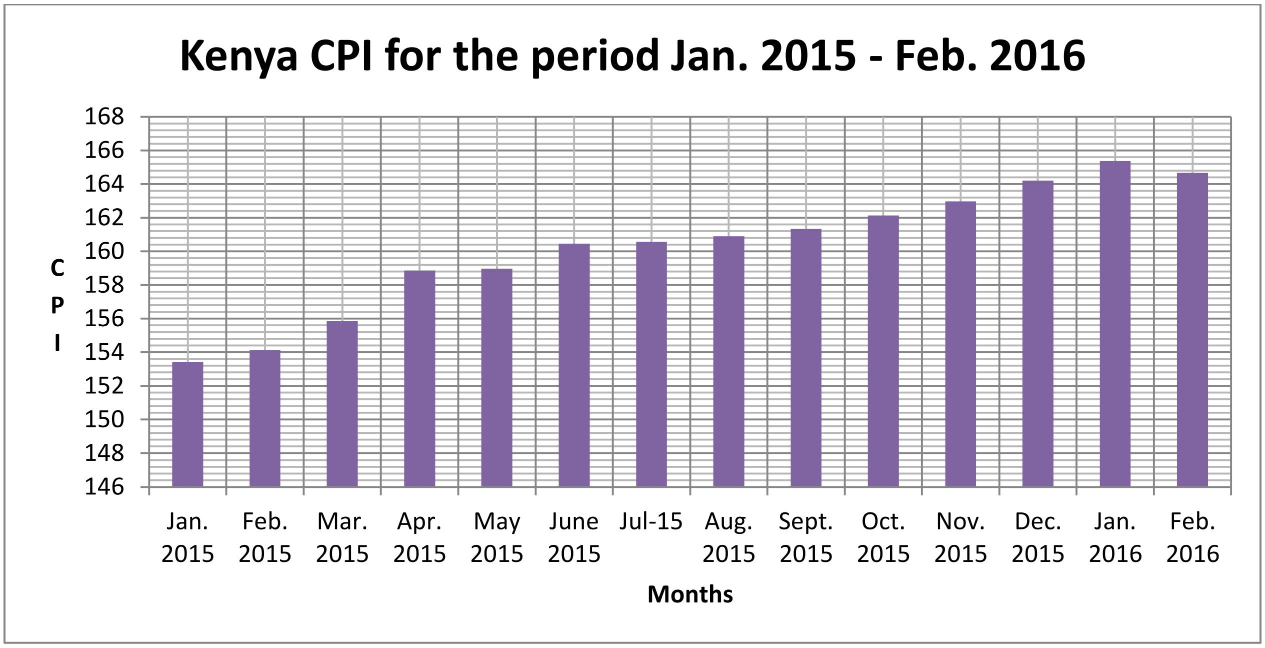
Notes: 1. * Authors' estimates based on overall change in the CPI

2. Nairobi Lower Income Group are households that spent less than Kshs. 23,670 in October 2005; Nairobi Middle Income Group are households that spent between Kshs. 23,671 to Kshs. 119,999 in October 2005 while Nairobi Upper Income Group are households that spent above Kshs. 120,000 in October 2005. The Rest of urban areas

are Mombasa, Malindi, Machakos, Nyeri, Thika, Nakuru, Kisii, Kisumu, Eldoret, Nyahururu, Garissa and Bungoma.

The graphical representation of the CPI for the 14 months is shown in figure 1 that follows

Figure 1: Kenya CPIs for the period January 2015- February 2016



Source: Author's construction based on KNBS data

The data presented on table 1 and figure 1 show almost a steady trend of CPI for the last fourteen months, January 2015 to February 2016. The overall CPI reduced by 0.42 per cent from 165.37 in January 2016 to 164.67 in February 2016.

The trends show that there is little leverage if any on the cost of living, reflecting a bare minimum improvement in the standard of living of the workers. The purchasing power of the workers is therefore still constrained.

4.0 BRIEF ANALYSIS OF THE INFLATION RATES FOR FEBRUARY 2016

The overall inflation rate for February 2016 has been stated as 6.84 by KNBS. This is a 12.08 per cent decline from the January 2016 inflation rate of 7.78 per cent

The inflation rates for the last 14 months are as shown in the table 1 that follows (February 2009=100)

Table 2: Kenya Inflation Rates for the period January 2015- February 2016

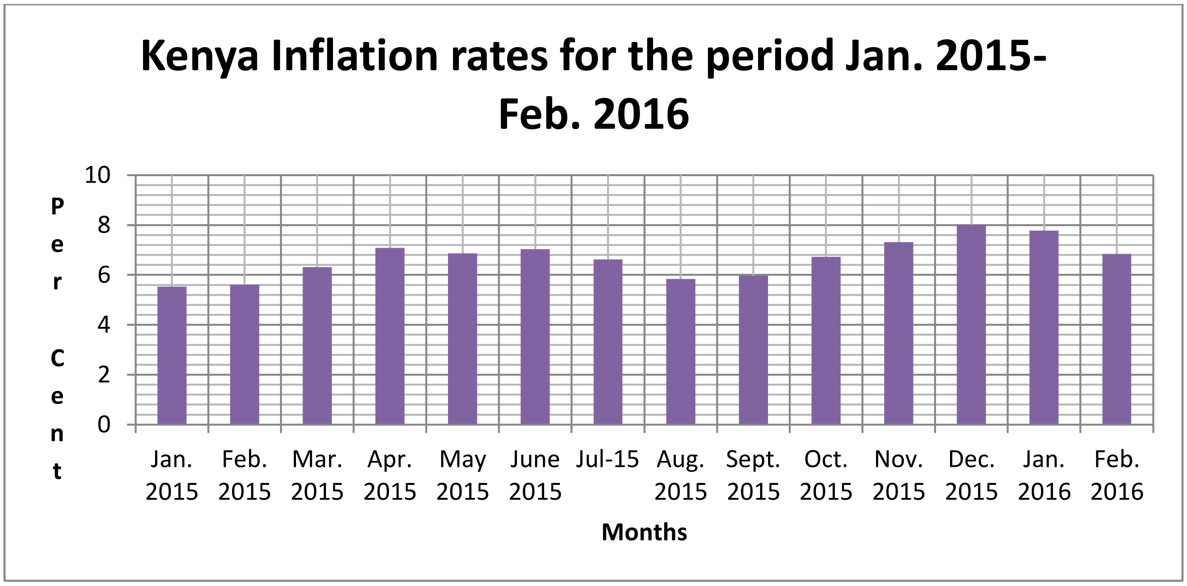
Month	Inflation Rates (%)						
	Kenya	% change from previous month	Nairobi Low Income Group	Nairobi Middle Income Group	Nairobi Upper Income Group	Nairobi Overall	Other Urban Areas
January 2015	5.53	-8.14	4.83	3.22	2.05	4.38	6.32
February 2015	5.61	1.45	5.22	3.23	1.74	4.66	6.26
March 2015	6.31	12.48	6.32	3.24	1.81	5.48	6.88
April 2015	7.08	10.88	7.49	3.39	1.90	6.39	7.55
May 2015	6.87	-2.97	6.98	3.76	1.86	6.09	7.39
June 2015	7.03	2.33	7.32	4.63	1.77	6.53	7.38
July 2015	6.62	-5.83	7.26	4.22	2.95	6.44	6.75
August 2015	5.84	-11.78	6.03	4.34	2.56	5.54	6.05
Sept 2015	5.97	2.23	6.18	4.84	2.79	5.77	6.10
Oct 2015	6.72	12.56	7.23	4.87	3.50	6.58	6.82
Nov 2015	7.32	8.93	8.60	5.03	3.38	7.63	7.12
Dec 2015	8.01	9.43	8.70	7.09	4.83	8.21	7.87
January 2016	7.78	-2.87	7.68	5.91	5.44	7.22	8.16
February 2016	6.84	-12.08	6.75*	5.20*	4.78*	6.35*	7.17*

Source: KNBS

*Author's estimate based on overall change in inflation

The graphical representation for the Inflation rates for the 14 months is shown in figure 2 that follows.

Figure 2: Inflation rates for the period January 2015- February 2016



Source: Author's construction based on KNBS data

The data presented on table 2 and figure 2 show almost an S-shaped trend of inflation for the last fourteen months, January 2015-February 2016. The overall inflation reduced by 12.08 per cent from 7.78 per cent in January 2016 to 6.84 per cent in February 2016. This small relief in inflation resulted mainly from small decreases in prices of food, items (-0.43 %), diesel and petrol (-11.34 %), kerosene (-13.81 %) and stagnated cost of electricity from the month of January 2016.

The S-shaped trend of inflation shows that the disposable income of the workers is still not controlled but depends on economic outcomes of the day. Leaving workers spending power in the hands of market outcomes exposes their vulnerability to any harsh economic conditions.

The implementation of the excise duty still has negative effects on the cost of living. The excise duty and other taxation schemes both by the national and county governments have adversely eroded workers of their hard earned income.

5.0 EFFECTS OF THE HIGH INFLATION RATES ON THE KENYAN WORKERS

- Many companies are either shutting down or downsizing while others are posing stringent labour malpractices on workers. As such, inflation has eaten up a better percentage of companies' profits, leaving firing or mass retrenchment as the only window through which the affected companies can save their profits.
- Inflation is still higher than the upper limit of the government, draining further the purchasing power of the workers. COTU (K) wishes to point out the workers should be cushioned from such inflationary wreckages.
- The cost of living continues to rise and Kenyan workers continue to become worse off, given the inelastic nature of the salaries and wages to the cost of living. Better social dialogue systems should be set up to address the shrinking share of wages amidst increasing returns to capital.
- The saving power of workers has been weakened seriously by higher inflation costs. This has drastically reduced domestic savings thereby putting workers' future spending at stake.

6.0 LABOUR MARKET OUTCOMES IN MARCH 2016

In March 2016, regional and global economies experienced varied labour market conditions paving way for critical policy formulation in order to contain the market. Some of the concerns include:

1. Global Happiness Report 2016

The World Happiness Report 2016 update has alluded to the need for economies to face out economic and social injustices for a happy world. In the update, happiness is a means of making societies healthier and more efficient. The report classifies Denmark and Switzerland as the first two happiest countries worldwide in that order. On the other hand, the most miserable countries in the World are Syria and Burundi respectively.

Even though Kenya did not feature among the worst countries in the report, caution should be taken to improve its happiness since the main determinants of happiness such as the GDP (Gross Domestic Product) per capita; Social support; Healthy life expectancy; Social Freedom; Generosity and Corruption are still at large in Kenya. Notably, corruption has led to serious losses of money from the public.

2. Kenya's Economic Growth

Even though the World Bank has projected an average economic growth of 6 per cent, Kenya's growth is partly related to the growth of the counties. Notably, the International Development Association (IDA) credit of US dollars 200 million granted to Kenya by the World Bank Board of Executive Directors could boost the economies by increasing service delivery by the counties. By enhancing the capacity of institutions to effectively deliver on devolved services, the credit will go hand in hand to leverage on institutional transformation and economic growth. As such, there would be confidence in the public finance management system; planning, monitoring and evaluation; Civic education; Public participation and Intergovernmental relations.

Notably, Kenya should focus on realizing its devolved economic aspirations in order to match its projected economic growth.

These notwithstanding, the service and manufacturing sectors are sectors to watch if Kenya is to realize a transformative and socially inclusive economic growth and development.

3. Youth unemployment and Decent Work campaign

It is unfortunate that the 2016 report by the World Bank that Kenya is the leading among East African economies in youth unemployment is worsening. The youth unemployment rate in Kenya of 17.3 per cent seems to widen following mass retrenchment initiatives in the corporate sector. Many banks are embarking on agent banking while other companies such as Uchumi Supermarket have literally closed down five of their shops and rendered over 253 workers jobless.

Following this massive retrenchment and other labour market malpractices such as outsourcing; contracting and casualization, COTU (K) is undertaking a social media ***decent work campaign for the youth in Kenya*** The hash tag for the campaign is ***#jobdecent*** while the slogan is "***Job decent Maisha poa kwa Vijana"***

And given that many firms are showing little intentions to hire but more intentions to fire, the campaign is very critical so as to put youth employment agenda into perspective and cushion them from the harsh economic outcomes.

7. POLICY IMPLICATIONS AND THE WAY FORWARD

A review of the labour market conditions in March and the first Quarter of 2016 calls for the following policy implications implied by COTU (K).

- That SMART policy initiatives should transform the youth bulge into an economic resource rather than an economic burden for economic transformation through decent job creation. Most countries in the globe that have tactfully invested in the demographic dividend have reaped well in terms of economic growth and development.
- Kenya should appreciate technological transformation by adapting new technologies in the manufacturing and agricultural sectors while replacing the old model of exporting raw materials.
- As has been realized in the stabilization of the Kenya shilling against major currencies in the world, the treasury should revitalize its fiscal and monetary policies to foresee public confidence in public finance management realize economic stability.
- Both the national and devolved institutional capacities need to be enhanced for effective service delivery. The specific county strategic plans should be revised and actualized. More specifically, the capacity of the Ethics and Anti –Corruption Commission should be fully enhanced.
- Moreover, Counties need to leverage on their strengths drawn from the natural resources as well as skills that they own, which give them competitive advantage to orchestrate demand and supply for their regions and beyond.
- More importantly, counties should focus on delivery of basic services such as healthcare and education that provides a basis for economic growth and development

- Both the private and public sectors need to realign their priorities to focus on trade, transport, ICT, financial services including transformative agriculture and manufacturing sectors for effective
- Better private sector entrepreneurial initiatives should be in place to cushion workers from being the immediate victims of harsh economic outcomes such as massive retrenchment. There should be set social, legal and economic thresh-holds that would warrant massive retrenchment cum downsizing other than the profit motive as is practiced today in the corporate world.

CONCLUSION

Kenya has a promising demographic dividend. Tactful investment in the youth is a sure path to economic freedom. The government, the employers and the private sector should make the youth a policy priority.

By creating decent jobs, we are creating rich economic watersheds through which Kenya would flourish towards economic prosperity. This is the journey to the realization of the Vision 2030 and the Sustainable Development Goals for Kenya.

Most importantly, why have institutions that are not functional? It is high time Kenya makes a radical institutional transformation geared towards service delivery for sound economic growth and development.

Finally, let all trade unionists stand up in solidarity and be counted for decent job creation. Let us better our best to make Decent work a reality for economic freedom!

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