TURNING THE TIDE ON KENYA'S ECONOMY: RECOVERY AND PROSPERITY THROUGH THE WORKERS' LENSE

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1. Setting the Pace

Many workers in Kenya are currently held hostage by the harsh economic times of high cost of living, depreciation of the Kenya shilling, high interest rates, high rates of redundancy and persistent unemployment, dwindling international trade, ballooning public debt, run-away corruption, institutional dormancy and high levels of taxation among other outcomes that drive them to their knees. Perhaps this is the time to reflect on the birth of the Central Organization of Trade Unions (COTU, Kenya) in the early 1960s when Kenya appreciated the fundamental role of trade unions in promoting economic development and employment creation (Republic of Kenya, 1965).

Since its formation, COTU (K) has been very instrumental in promoting decent work by advocating for the full protection of the rights and fundamental obligations of workers in every pursuit for Kenya's economic development and job creation. COTU (K) has been keen in promoting economic stability and conducive industrial relations by developing a disciplined, skilled and responsible labour force bearing in mind that Kenya's prosperity and welfare and that of the workers is dependent on hard and productive work. As such, COTU (K) continues to train workers sensitizing them on their key role in economic development. In deed COTU (K) remains very instrumental in the development of the legal, economic and social frameworks of Kenya's development and aspirations through regular engagement in social dialogue and collective bargaining. COTU (K) continues to engage in such processes to ensure that the welfare of all workers are taken into consideration as the government carries out its development agenda including by pursuing the rights of vulnerable workers such as women, youth, informal sector workers, workers with disabilities, migrant workers, gig economy workers as well as other emerging types of workers in the ever evolving world of work.

It is on the basis of this mandate of COTU(K) that we invoke paragraph 129 of Sessional Paper No. 10 on *African Socialism and its Applications to Planning in Kenya* (Republic of Kenya, 1965:45) which partially states that

"The Government will assume the responsibility for holding down the prices of basic commodities so that WORKERS, farmers and unemployed are ***not confronted with a rising cost of living****…… The Government will also ensure that WORKERS* ***are not exploited, that safety conditions are enforced, and that minimum wages are reasonable"***

A critical analogy between the current challenges facing workers in Kenya and the provisions of this paragraph calls on the trade unions to provide a way forward for a better Kenya.

Before highlighting the workers voice on turning the tide on Kenya's economy, we present a brief overview of what is ailing Kenya's economy today….

2. Key Issues and Challenges affecting workers in Kenya

2.1 High Cost of Living

The cost of living as measured by the consumer price index (CPI) has been on the increase over the past year thereby reducing the basket of items workers can purchase with their income. The Consumer Price Indices Increased from 126.73 in September 2022 to 135.32 in September 2023, representing a 6.7 per cent increase. Citing some examples on electricity and fuel, the average retail price of electricity increased by 44.1 per cent from October 2022 to October 2023 adding to the cost of production by firms. Similarly, the average retail price of 1 Litre of Petrol increased by 21.7% from October 2022 to October 2023. Meanwhile, the average retail price of a 2kg Sifted Maize flour reduced by 2.9 per cent from October 2022 to October 2023, thanks to the government's subsidized fertilizer programme and favorable weather conditions especially rainfall.

The other factor contributing to high cost of living is the inflation rate. Inflation rate reduced from 9.18% in September 2022 to 6.78 per cent in September 2023. Inflation robs workers of their hard-earned money. Inflation is *a hidden tax* on each shilling that a Kenyan worker earns. The higher the inflation, the lower the real value of the shilling, and the lower the transactions in the economy, leading to poor performance. Therefore, in order to save the economy from a downturn, it is necessary that high inflation rates are tamed.

2.2 Depreciation of the Kenya Shilling

The Kenya Shilling has seriously depreciated against major currencies especially the US Dollar. Over the past year, the Kenya shilling traded at 120.42 in September 2022 and at 146.77 in September 2023, representing a 21.9 per cent depreciation. This has seriously drained the purchasing power of workers as well as workers' savings. Moreover, the cost of imports has ballooned over the year making it difficult for importers to pay for their products due to the high exchange rates. Kenya being a net importer therefore losses in the international trade making the economy to be persistently in deficit and prone to external shocks such as the war between Russia and Ukraine and between Israel and Palestine.

2.3 High Interest Rates

Interest rates being the cost of capital affects investments either positively or negatively. Interest rate in Kenya especially the Central bank rate which is the benchmark for credit for commercial banks has been on the increase making loans very expensive thereby starving workers and businesses of the much-needed capital. The Central Bank Rate increased by 17.7% from 8.92 per cent in September 2022 to 10.5% September 2023.

2.4 Dwindling International Trade

Kenya's international trade balance continues to be negative further weakening the shilling as more foreign currency is needed for imports. The trade balance had a deficit of Ksh 127.8 billion in September 2022 and Ksh124.4 billion in September 2023.

2.5 Persistent unemployment and high levels of redundancy

Unemployment has persisted over the past year and continues to rise with several companies closing shop from Kenya and moving to other neighboring countries like Tanzania due to increasing cost of doing business as the government imposes more taxes in its attempt to raise revenue. To this extent, the rate at which companies declare workers redundant has been alarming. The Federation of employers (FKE) for example estimated that about 70,000 formal jobs have been lost in Kenya between October 2022 and November 2023 and that more job losses were expected as employers contemplated of further downsizing as a coping mechanism with the drastic increasing in operating costs in Kenya.

2.6 Ballooning Public Debt

Kenya's public debt continues to grow due to rampant borrowing by the government especially from the IMF and the World Bank that are accompanied with strict conditionalities that starve the economy of the much needed growth. Kenya's public debt increased by 21.8% over the past one year from Ksh 8.7 trillion in September 2022 to Ksh 10.6 trillion in September 2023.

Considering this increase, and given that the government is continually borrowing to pull itself out of the cash crunch, things are not looking better. How do we borrow to save an economy being ruined by borrowing? How do we determine how much to borrow domestically or externally? The choice between external and domestic borrowing is determined by the markets. Domestic borrowing minimizes default risk but risks increasing interest rates while external borrowing reduces the possible crowding out but exposes the economy to external shocks

If we can remember very well, Kenya launched a Medium-Term Debt Management strategy in 2014, in which it established a domestic to external borrowing ratio of 60:40. But alas! Kenya's debt structure is almost a 50:50 ratio. This explains why our economy is prone to external pressures that come with external debt, bringing havoc to our economy. And given that the resources from the external debts are also being looted, our economy may be heading to a standstill. Let us get the figures right! Figures never lie! Our scramble for debt is soon dragging our economy to its knees!

2.7 Run Away Corruption

The latest statistics on corruption by the Natalie Cowling research experts ranked Kenya at 135th out of the 180 evaluated countries, scoring 32 in the Corruption Perceptions Index as of 2022. The evaluation was based on a scale of 0-100, where zero means highly corrupt and 100 means very clean.

Workers have been devastated at the breaking news on corruption cases in Kenya that span the era of the founding to the current fathers of the Nation. Some of the corruption cases reported by the Ethics and Anticorruption Commission (EACC) included a case in which two civil servants were jailed for three years for embezzling Ksh.17.8 million from the Ministry of Higher Education, Science and Technology in 2021. The other case was reportedly a loss of about KSh1.6 billion by the National Social Security Fund in 2008 and concluded in 2022 where a fine of about Ksh.9.8 billion were imposed on the perpetrators. Moreover, corruption cases on the award of several public tenders such as those by the Kenya Medical Supplies Authority (KEMSA) continue to raise eyebrows on the extent of damage corruption does to Kenya's economy (Republic of Kenya, 2023)

Workers opine that corruption draws too much from the economy perhaps more than the annual national budget and deny the country so much in tax revenues given that proceeds of corruption are not subjected to taxation. Moreover, corruption denies Kenya foreign investment since the country ranks poorly on the Ease of Doing Business Index as evidenced in the 2019 index of 56 among 190 economies globally. In February 2023 for example, the European Union warned Kenya of the possibility of being blacklisted by foreign investors because of corruption and money laundering. This as well denies Kenya of the much-needed employment opportunities that come with foreign direct investments since corruption increases costs of doing business in Kenya. Moreover, Kenya's public procurement has been tainted with red card corruption cases where only individuals who bribe the process get government tenders thereby leading to inefficiencies in the market.

2.8 Institutional Dormancy

With the current challenges facing Kenya, workers opine that institutional dormancy is to blame! Among the questions workers ask include. Where is the National Treasury when the cost of living is becoming unbearable for the workers in Kenya? What is the Directorate of Debt Management in the National Treasury doing as Kenya's public debt crosses the Ksh10 trillion? Where is the Directorate of Budget, Fiscal and Economic Affairs of the National Treasury when interest rates and the exchange rates are going out of hand? Where is the Ethics and Anti-Corruption Commission and the Office of the Director of Public Prosecutions when corruption is the order of the day in Kenya? Where is the Ministry of Labour and Social Protection when many Kenyans remain unemployed and redundancy becomes the order of the day in Kenya? Perhaps it is time to get back to the roots and ensure that every public institution is held accountable and those not able to deliver on their mandates disbanded!

2.9 High Level of Taxation

Many employed workers are of the view that the current levels of taxation drain their incomes leaving them with very little disposable income. Among the contentions taxes levied on workers currently include the income tax (Pay As You Earn (PAYE)) currently charged at the rate of between 10 per cent and 35 per cent, the Affordable

Housing Levy (AHL) of 1.5 per cent contributed by both the employer and the employee based on gross pay and the proposed 2.75 per cent contribution to the Social Health Insurance Fund. Other contentious taxes include the 16 per cent VAT on petroleum products that has increased the cost of basic items on the basis of increased transport costs.

Having highlighted some of the challenges ailing Kenya's economy today, we provide the voice of workers that will spur Kenya to its next levels of economic growth and development.

3. Turning the tide on Kenya's Economy: The Voice of Workers!

To turn the tide on Kenya's economy and achieve recovery and future prosperity in the wake of the challenges facing the country, workers propose a five-point strategy. These are: *Embracing Effective and Efficient Stakeholder Engagement in the entire development process; Building, Restoring and Sustaining Strong Investor Confidence in Kenya; Building and Supporting Strong, Effective, Accountable and Inclusive Institutions; Embracing Research in the entire development process and a Zero Tolerance to Corruption*. The highlights are outlined hereunder:

3.1 Embrace Effective and Efficient Stakeholder Engagement

Given the current challenges facing Kenya's economy: high cost of living, depreciation of the shilling, ballooning public debt, etc, workers underscore the crucial role played by stakeholders across all levels. In fact, stakeholder engagement is an effective governance tool as it promotes trust and control by the people as decisions come from them (Oliveira et al. 2023). More importantly, stakeholder engagement is a pragmatic tool that promotes value creation, innovation, planning and decision making (Kujala et al., 2022). It is prudent to note that stakeholder engagement improves the relevance and usefulness of the outcomes of stakeholder engagement process (Maurer et al., 2022). However, when engaging stakeholders, it is important to consider both moral and ethical strategic engagement. This involves ensuring that engagement with the stakeholders is uncorrupted by power differences and strategic motivations while upholding moral concerns of both parties with the aim of creating value for all stakeholders (Noland and Phillips, 2010). Indeed effective stakeholder engagement will promote a culture of nationalism and promote and uphold the values and the spirit of our nation as spelt out in our National Anthem (see Dal Maso et al. 2017). In the forgoing concern, it is prudent that Kenya appreciates and embarks on stakeholder engagement and fully implement the outcomes of such engagement. The most recent is the outcome of the National Dialogue Committee (NADCO) which was an effective stakeholder engagement on the issues and challenges facing the country. It is therefore prudent and of utmost urgency to critically analyze the report and implement the outcomes without bias for a more stable Kenya.

In particular, the proposal by NADCO on the Constitution of Kenya (Amendment) Bill, 2023 whose Clause 20 seeks to amend Article 162 of the Constitution to make the Environment and Land Court and the Employment and Labour Relations Court part of the High Court to broaden the experience of judges within the High Court should instead be to amend Article 162 of the Constitution ***TO STRENGTHEN THESE TWO SPECIAL COURTS*** *mandated to promote justice on all disputes relating to the environment, and the use of occupation of, and title to land and all issues related to employment and labour relations respectively*. Workers opine that these two courts are very critical in Kenya given the dispensation of demolitions of buildings alleged to be constructed on illegal land on one hand and the backlog of cases related to employment and labour relations on the other hand. In this regard, ***stronger independent, efficient, effective and reliable Employment and Labour Relations Court and Environment and Land Court remain indispensable for Kenya's economic growth and development****.*

Other reports that were birthed through stakeholder engagement and are still pending implementation include the Truth, Justice and Reconciliation Report of 2013 and report of the Independent Review Commission on the General Elections held in Kenya on 27 December 2007 of 2008. These reports are a voice of the "commons" and should never be left unimplemented for a better Kenya!

3.2 Build, Restore and Sustain Strong Investor Confidence

The rate at which capital flight is taking place in Kenya is currently alarming. Several investors have left Kenya for neighboring countries such as Tanzania. This speaks loud about diminishing investor confidence. By investing in restoring investor confidence, Kenya will greatly attract international investors since investment decisions are pegged on investor confidence (Shahid and Abbas, 2019). Moreover, investor trust among nations positively influences investment decisions making some nations more preferred by investors than others (Bottazzi et al., 2016). This strategy has been used in attracting investors by many nations including Pakistan, India and Tanzania. This way, Kenya will attract Foreign Direct Investments in key sectors such as Agriculture, Transport, ICT, Commerce and Industry, among others that are critical for economic growth.

Kenya needs to swiftly restore investor trust since several investors continue to shop for investment opportunities in Kenya. With very many investment opportunities available in Kenya's Special Economic Zones and Export Processing Zones, restoring investor trust is most urgently needed because investor trust is the potential force behind investor behavior. In this regard, it is as well critical to analyze and solve historical investment injustices since current and future investment decisions as well depend on the historical effects thereby likely to influence investor willingness to invest in Kenya (Stout, 2002). Enhanced investor confidence will attract both resources and expertise to Kenya thereby informing better decision making while providing the much-needed employment opportunities for the unemployed youth.

3.3 Build and Support Strong, Effective, Accountable and Inclusive Institutions for a better Kenya

It is without doubt that the challenges facing Kenya today fall within the mandate of various institutions that have the mandate to deliver a better Kenya. However, looking back, it is regrettable that Kenya still suffers from high cost of living, highly depreciating shilling, high levels of public debt, high interest rates and run-away corruption. This is therefore an urgent call for relevant institutions to get back to the basics and deliver Kenya to its glory as envisaged in the Vision 2030. Some of the key institutions that should heed to this call include the Executive; the Legislature; the Parliament (Both National Assembly and the Senate); the National Treasury that houses the Public Debt Management Office among other key offices that deal with fiscal policy; Ministries and State Departments especially the Ministry of Labour and Social Protection; Office of the Director of Public Prosecutions; Office of the Controller of Budget; and the Office of the Auditor General just to mention. I bet with certainty that efficient execution of the mandate of all institutions in Kenya will surely make Kenya the next global Silicon Valley. By ensuring that institutions are accountable to their mandate, Kenya could have realized many of its dreams including the delivery of the Konza City that was dubbed Äfrica's Silicon Savannah" with the capacity to create about 200,000 IT jobs by 2030.

Indeed it has been proven that strong and effective institutions are the delivery machinery for any nation's socioeconomic development. Firstly, Goal 16 of the Sustainable Development Goals emphasizes that effective, accountable and inclusive institutions have a critical role in reducing poverty, improving the rule of law and increasing economic growth. Kenya can bet on this to achieve sustainable prosperity (United Nations, 2015; Rathmell and Mellors, 2016). Secondly, Effective, accountable and inclusive institutions for all have a central role in contributing to citizen's well-being (HLP, 2013; OECD, 2015). Moreover, Kenya may rise or fail depending on the institutions it puts in place (Acemuglo and Robinson, 2012). Kenya can for example borrow a leaf from the Brazilian health councils that has proven that strong, effective and inclusive institutions is transformational. The Brazilian health council was developed under a national legal framework that mandated all governments at the federal, state and municipal levels to implement health councils that engage health system beneficiaries, service providers, and workers in setting health policy and overseeing spending (Mayka, 2019). Such an institutional framework is urgently needed as an engine in moving Kenya forward. These notwithstanding, it is worth noting the need to recognize the role of the Ministry of Labour and Social Protection. There is urgent need to build the capacity of this ministry and ensure the functionality of all its directorates. In particular the National Labour Board and the Labour Inspectorate should be functional to spearhead the international labour standards and their applications at the work place.

3.4 Embrace Research for Kenya's Economic Development

Workers in Kenya support the argument that economic development and research are inseparable (Ezell and Andres, 2016). In this regard, workers prefer that Kenya engages in well thought data collection, organization, analysis and the implementation of the findings in an inclusive manner in order of the levels of significance of the findings for a better Kenya. In this regard, all private and public institutions including non-governmental organizations and civic organisations should embrace research for any intended action. It is as well critical that such research departments are linked to institutions of academics such as Universities and colleges to help Kenya develop skilled labour for absorption into its labour market. To this extent, all acts of engagement in economic development will be supported by research and exposed to monitoring and evaluation so that the end results can be validated for sustainability. This way, Kenya will address the current challenges and meet its socio-economic, environmental and political aspirations as envisaged in the Vision 2030 and align herself to the Continental aspirations of the African Agenda 2063 and the global aspirations of the 2030 Agenda for Sustainable Development.

Arguably, research has proven that for tangible progress in national development, industries and the scholarly world must collaborate. That through such collaborations, several countries have realized tangible increases in their Gross National Products (GNPs), National Development Products (NDPs), new inventions as well as established standards (Okokpujie et al., 2018). Elsewhere, Research and Development are critical in influencing the level of Gross Domestic Product of countries (Blanco et al., 2013; Khan, 2015; Bayarcelik et al, 2012).

3.5 Embrace Zero tolerance to Corruption

The current challenges facing Kenya have doomed the economy's capacity to achieve stable economic growth and development, create decent jobs as well as address its economic, social and political inefficiencies (see Spyromitros and Panagiotidis, 2022; Weber, 2008). Workers are of the view that one critical contributor to such incapacity is the run-away corruption that Kenya has witnessed over the past six decades. Moreover, workers support the view that corruption thrives when individuals have discretionary power, when economic rent exceed salary levels and when corruption detection and punishment are minimal (see Yin and Nie, 2020). Indeed, corruption has led to inefficiencies in service delivery and wastes in public resources (Krueger 1974); reduction in economic growth (Shleifer and Vishny, 1993); weak foreign investment (Wei, 2000) as well as slow investment and economic growth including poor trade policies (Mauro, 1995; Mo, 2001; Pellegrini and Gerlagh, 2004). Furthermore, corruption majorly slows economic growth by affecting taxes (Blackburn et al., 2006, Imam and Jacobs, 2014, Ivanyna et al., 2016). A case to point out in Kenya is where some enterprises are given priority when issuing government tenders including business licenses thereby reducing market efficiency and economic development (see Leff, 1964; Lui, 1985; Beck and Maher, 1986). In view of the drivers of corruption and its dire negative effects on the economy, it is prudent that Kenya adopts zero tolerance to corruption by investing in human, physical and financial resources for corruption surveillance and crackdowns (see Zhang et al. 2023). Through the adoption of relevant legal and institutional frameworks to draw down on corruption, Kenya would be able to close on the loses it bears from corruption that evidently surpass Kenya's annual budget. In fact, we believe that zero tolerance to corruption will completely turn Kenya from a borrowing country to a lending nation! In fact, workers call on President William Ruto to actualize his resolve to fight corruption having contended to the fact that corruption has immensely affected Kenya's economy while addressing a consultative meeting with Western Kenya leaders at the Kakamega State Lodge on 30 August 2023. In the words of the Kenya's late President Mwai Kibaki on November 2, 2010

………"*Let us not have people who will seek to swindle the government. Such people shouldn't be alive because the government uses public money…. There is no need to have any mercy on a fellow who is trying to swindle us… A person who plans to misuse public funds must not be allowed to continue working in Government. We must deal with those who want to embezzle public money… we will sack such fellow. Those who want to continue working on ways to steal public money should go home and let the new crop of professionals develop the country."*

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