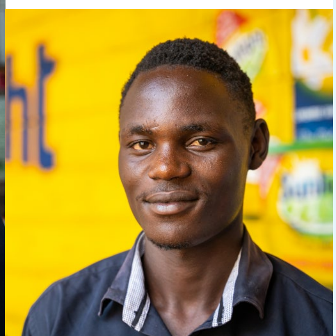
TRANSFORM

Understanding the informal economy landscape and future of work in Kenya

Over 15 million* Kenyans sustain livelihoods and create opportunities across the entrepreneurial informal economy. This often invisible 83% of the population include kibanda operators, mama mbogas, content creators, visual artists, plant sellers, boda drivers and more. The informal economy in Kenya accounts for 24% of the country's GDP, employing five times more workers than the formal economy and creating jobs at a rate that is ten times faster.

TRANSFORM, an impact accelerator led by Unilever, the UK's Foreign, Commonwealth & Development Office (FCDO) and EY, has collaborated with Brink and other local stakeholders on the 'Future of Work in the Informal Economy' research series to understand the current realities and future possibilities for the millions of entrepreneurial Kenyans who hustle to sustain livelihoods across the informal economy. It focuses on three market segments: food services, creatives & entertainment, and agri-livelihood strategies segments.



5 KEY INSIGHTS

The research series ran for nine months with 700+ informal economy entrepreneurs and stakeholders, and found:

INSIGHT 1

The prevalence of women and youths in the informal economy is high.

Over half (58.5%) of informal enterprises in Kenya are owned by women, as the flexibility offered by the informal economy enables women to balance paid work with household activities and helps elevate their social status.

Similarly, the informal economy is disproportionately made up of youths, with 44% aged 15 to 34. This is because the formal economy is not creating jobs fast enough to absorb Kenya's growing youth population, leading more and more youths into the informal economy.

Find out more

Collaboration is key to scaling social enterprises. Learn more about the successful programmes that other enterprises and funders have delivered together. Read more stories here.

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INSIGHT 2

The informal economy is often misrepresented and misunderstood.

Traditional perceptions often highlight limited education as a key driver of informal working, but the research found that many people in the informal economy had secondary education or higher.

The term "hustlers" has also been rebranded positively by many, with respondents highlighting the skills gained and the importance of the informal economy in the Kenyan economy.

Motivations to enter the informal economy include necessity, convenience, opportunity, and inspiration. The entrepreneurial spirit is strong with 23% of respondents saying the benefit of informal work is that they can be their own boss. These hustlers are micro-entrepreneurs who have an inspiration for developing their own business.

INSIGHT 3

Livelihood creation strategies are complex and nuanced, yet largely unexplored.

The diverse livelihood strategies of people in the informal economy remain largely unexplored and invisible. Each livelihood strategy comes with its own story, obstacles, and opportunities. For example, Mama Mboga (fruit and vegetable sellers) struggle with accessing capital to meet operational expenses, flower sellers, street performers and dancers grapple with seasonal fluctuations in market demand.

Yet many livelihood strategies have challenges in common, such as difficulty accessing initial capital (74% of 400 survey respondents across market segments), seasonal fluctuations (47%), and gender disparities – for instance, men typically out earn women, particularly among food service providers where men earn an average of KES. 37,200 per month compared to KES. 18,333 per month for women. Across market segments, men (53%) are also significantly more likely to have paid employees supporting them than women (33%).

INSIGHT 4

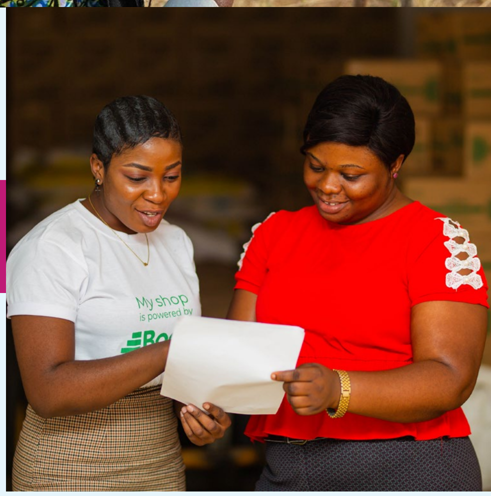
There are mixed sentiments about the future of work in the informal economy.

Many people have mixed feelings of optimism and pessimism about the future, expressing concerns about both the informal and formal sectors. The vast majority of respondents perceive the current economic situation in Kenya as unfavourable, with many thoughts about the future including contingency statements such as "if the government reduces taxes, then…"

Young people – both male and female - are more optimistic about the future than adults.

A common view is that more and more Kenyans will move towards the informal economy away from formal jobs due to the decrease in opportunities. Over 40% of respondents expressed confidence in the future success of informal trade, whereas only 18% believed the same for formal businesses.

It is positive that young people are increasing their skills. They need to be provided with opportunities to use these skills.



INSIGHT 5

The path to prosperity in the informal economy has obstacles.

In the informal economy, prosperity is a nuanced term and has many different elements, encompassing financial security, social connections, personal growth, and access to decent working environments. While income remains crucial, well-being and belonging are equally valued.

Low and insecure incomes leave many people in the informal economy struggling to meet basic needs such as access to healthcare. The average monthly income across the three segments (food service, creative/entertainment, and agri-livelihood strategies) of about KSH 31,412 is higher than the national minimum wage but falls below the Kenyan monthly living wage of KSH 40, 413.

Belief in the future of the informal economy and its potential for prosperity fuels the aspirations of many, who have a strong interest in acquiring new skills, particularly financial-related skills.

RECOMENDATIONS

The research series shares actionable recommendations for donors and funders, micro-enterprise support organisations, informal economy associations, policymakers, and academia:

RECOMMENDATION 1

Provide affordable and friendly finance to those working in the informal economy, that invests in upskilling to support new market opportunities, and in social protection programmes.

RECOMMENDATION 2

Bridge the digital divide by leveraging technology to provide access to learning resources, market information, business and financial services. They can help fill the current gap, supporting hustlers to gain better access to loans and financial services.

RECOMMENDATION 3

Promote inclusive decision-making by creating platforms for informal workers to participate in shaping policies and interventions. There are opportunities for enterprises and learning institutions to organise regular forums and create surveys to collect feedback from gig workers for informing policy development.

RECOMMENDATION 4

Champion informal trade by recognising its valuable contribution to the economy and creating supportive policies for its growth. For example, programmes that prioritise affordable financial solutions and resources, tailored to the informal sector, and initiatives that address key challenges faced by informal businesses, such as limited access to markets, networks, or technology.

RECOMMENDATION 5

The future of work should be meeting people where they are. Through our research and discussions with micro-entrepreneurs, investors and policymakers, it is clear that what we call the 'formal' economy is unable to create enough jobs for youths. We should let go of the dichotomy between formal and informal economy, but instead explore how the two can complement each other in job creation and building an inclusive economy.

*All data referenced in this paper is drawn from TRANSFORM's wider research project report. Please see full references included at: **www.transform.global/news/research-the-future-of-work**.

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TRANSFORM is an impact accelerator that unites corporates, donors, investors and academics to support visionary enterprises across Africa, Asia and beyond. Together, we test and scale new solutions that tackle environmental challenges, improve health and wellbeing, and build inclusive economies.

Combining grant funding, business insight and research, TRANSFORM is advancing the development of innovative business models to help solve global challenges. It was established in 2015 and is led by Unilever, the UK's Foreign, Commonwealth and Development Office, and EY.