

PRESS STATEMENT

**FKE CALLS ON GOVERNMENT TO EMBRACE SOCIAL DIALOGUE IN
RESOLVING THE CURRENT POLICY IMPASSE**

NOVEMBER 25,2022

Members of the press

Today, the Management Board of the Federation of Kenya Employers (FKE) met and among other issues affecting employers, discussed the challenges facing the country and how we as employers can play our part to support the development of our country and improve the wellbeing of our people. We are committed to work with the Government and other stakeholders to address the challenges we face including:

1. DROUGHT & HIGH COST OF LIVING

Our Country currently faces several challenges that continue to dampen prospects of our nation's economic recovery from the Covid-19 pandemic key among them being food insecurity brought about by the ongoing severe drought and increased commodity prices.

We continue to see a rise in inflation month on month, driven by runaway costs of consumer products, including cooking gas, fuel, food and cooking oil. The war in Ukraine and other global geopolitical developments continue to worsen the situation.

The drought is indeed a catastrophe as our Arid and Semi-Arid Lands (ASAL) counties face the worst drought experienced in Kenya in 40 years. The drought has so far affected an estimated 4.5 million Kenyans who have witnessed four consecutive seasons of failed rains. As a result, our brothers and sisters currently face severe food shortages due to crop failure and loss of livestock.

FKE commends the country's initiatives to support those affected by the drought. We recently launched the "Waajiri for Kenyans Initiative" which seeks to bring Employers together to raise funds to contribute towards the efforts to mitigate the effects of the drought.

We also applaud H.E. President Dr. William Ruto's commitment to scaling up the country's forest cover. In order to reverse the effects of Climate Change that our nation is currently experiencing, we must plant trees to address climate change, which is destroying livelihoods, disrupting food security and aggravating conflicts over scarce resources in our ASAL.

2. UNIVERSAL SOCIAL PROTECTION SYSTEM

We take note of the Government's agenda to establish a universal social protection system that encompasses Universal Health Coverage (UHC), and Universal Social Security Coverage (pension, occupational hazard and unemployment insurance).

This is a noble goal that we employers support. The challenge lies in establishing a viable funding mechanism that will not be detrimental to the competitiveness of our labour market. The financing requires a shared approach where no party is overburdened. It is not practical to expect the formal employers and workers to bear the burden of Universal Social Protection System, as only 15% of the country's wage employment is in the formal sector.

The financing of NSSF (National Social Security Fund), NHIF (National Health Insurance Fund) and Affordable Housing Scheme should be live to this reality.

FKE supports the enhancement of NSSF contribution to secure Kenyans in old age. However, employers pointed out issues with the now nullified NSSF Act 2013 that needed to be addressed for the new rates to be implemented. The recent decision by the Court now gives all stakeholders the opportunity to go back to the drawing board by holding consultative engagements to reach win-win proposals.

We look forward to engaging with the Government and other stakeholders to develop innovative models of financing these noble initiatives without hurting the workers and enterprises.

3. CREATING JOBS FOR KENYANS

The Federation agrees with His Excellency the President that Jobs is a priority agenda for Kenya. Kenya's employment situation is a ticking time bomb. 85% of Kenyans are underemployed in low-income low quality informal sector. Over 2 million workers lost their jobs in 2020 and 2021 due to covid-19 pandemic and many are not yet back to work. In addition, every year, 800,000 young Kenyans join the labour market after completing school, college and university. A nation with majority of its highly energetic and educated population idle is a country courting social crises. This is the situation that the nation needs to be focused on changing. It is a ticking time bomb that requires close collaboration between the employers and government to defuse.

To create jobs in the country, we need to focus on reducing the labour costs and improving our productivity. The continued piecemeal amendments to the Labour Laws and introduction of various social protection initiatives that all require employers to finance are raising the cost of labour in Kenya to a level that is unsustainable. The cost of Labour in Kenya has increased significantly from 2018. Some of the policies that have increased the cost of labour include the NHIF (Amendment) Act 2022, the NITA (Amendment) Act 2021, and various amendments to the Employment Act, among other policy initiatives.

We often hear of companies from key sectors closing shop in Kenya and moving its operations to other countries. We hope to work with the government and trade unions to reduce the cost of labour in the country.

Secondly, according to the Ministry of Labour Economic Position Paper 2022, Kenya's productivity remains low despite operating in a global market environment. Our products compete with products from countries such as China, Japan, India and the West among others. For example, in 2021, while the output per employed person in South Africa and Egypt was 49,250 and 57,628 US Dollars respectively, it was 12,340 US Dollars in Kenya. Kenya's productivity is not only low, it is also decreasing. While in 2021, the South Africa and Egypt labour productivity grew by 3.4% and 1.6% respectively, it fell by 2.0% in Kenya. We cannot effectively compete with this low level and type of productivity.

Kenya needs a lot of investment into measures that improve productivity such as skills development, adoption of modern technology, embracing productivity improvement practices, and inculcation of productivity work attitude, ethics, and culture.

FKE is optimistic about our country's economic recovery and remains committed to working collaboratively with the Government and other stakeholders to create a friendly and competitive business environment, while eradicating barriers that hamper business development and growth. This will unleash jobs and wealth in Kenya and improve the welfare of our people.

Asanteni Sana!

DR. HABIL OLAKA
NATIONAL PRESIDENT