

Closing the Gender Productivity Gap in Kenya's Informal Sector

By Rodgers Agwaya and Shelvin Mairura

Advancing gender equality in the labour market is critical to enhancing productivity. Historically, labour market structures have led to unequal distribution of opportunities and resources, leaving women disadvantaged, which in turn has created a gender productivity gap. A World Bank survey on informal enterprises in Kenya and the 2016 MSME survey reveal that women-owned enterprises have lower productivity compared to men-owned enterprises in the informal sector. The World Bank survey reports that gender productivity gap between men- and women-managed informal firms is Ksh 6,881 in favour of men. This goes against the aspiration of Sustainable Development Goal (SDG) 5 on gender equality and SDG 8 on decent work and economic growth. Bridging the gender productivity gap is therefore critical for Kenya's economic growth, which can only be possible if the labour market fosters gender equality, empowering both genders to be productive.

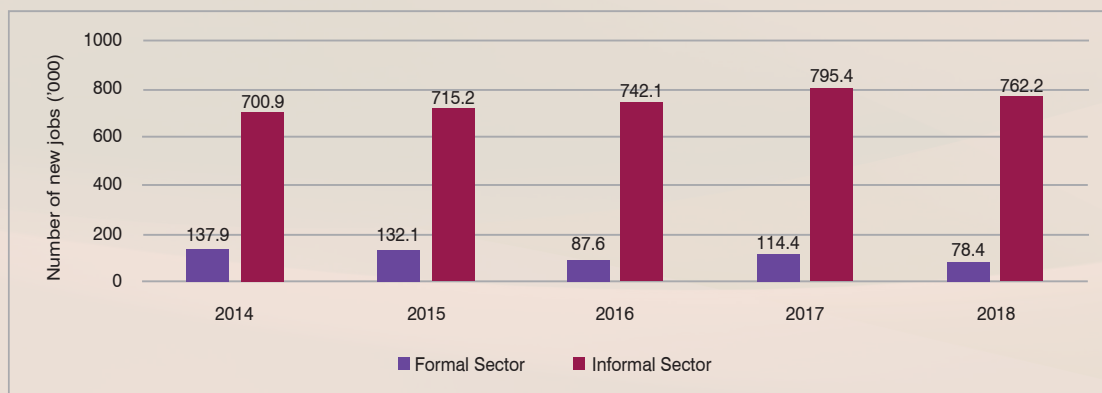
In Kenya, 8 out of 10 employees are engaged in the informal sector (KNBS, 2019). In addition, 9 out of 10 new jobs created in 2018 were in the informal sector.

Even though the informal sector acts as a buffer for the unemployed to engage in gainful economic livelihood,

it is characterized by low productivity compared to the formal sector. However, studies have shown that investing in the development of entrepreneurs and enterprises in the informal sector enterprises is strategic and can lead to increased economic productivity (ILO Labour-Conference, 2007)¹. Considering the 2016 Micro, Small and Medium Establishments (MSME) survey indicates that 60.7 per cent of the informal establishments are owned by women, addressing the gender productivity gap through various gender equality policy instruments makes economic sense.

Historically, men and women have differentiated access and control of productive resources, political resources and time. To create equity in the socio-economic spheres, the Kenya Vision 2030 has put forward various affirmative action plans to address gender inequalities that exist in entrepreneurship; these initiatives are largely centered towards provision of finance, business development and capacity building. However, entrepreneurs in the informal sector must come together and be registered as self-help groups to access the funds, which acts as a barrier.

Figure 1: Trends in new jobs created in Kenya (2014-2018)



Source KNBS- Economic Survey, 2019

¹ <https://www.ilo.org/empent/areas/entrepreneurship-and-enterprise-development/lang-en/index.htm>

Affirmative Action Initiatives	Women Enterprise Fund (2007)	Youth Enterprise Development Fund (2007)	Access to Government Procurement Opportunities-AGPO (2013)	Uwezo Fund (2013)	National Government Affirmative Action Fund (2015)
Access to Finance	✓	✓	×	✓	✓
Enterprise Business Development	✓	✓	×	×	×
Marketing	×	✓	×	×	×
Entrepreneurial Training/ Capacity Building	×	✓	×	✓	×
Access to Government Procurement Opportunities (30%)	×	×	✓	×	×
Mentorship	×	×	×	✓	×
Target Group(s)	Women Only	Youth: Men & Women	Women, Youth, & Persons with disabilities	Women, Youth, & Persons with disabilities	Women, Youth, Persons with disabilities, Needy children & Elderly
Target Sector(s)	Informal & Formal	Informal & Formal	Formal Only	Informal & Formal	Informal & Formal

Research shows that the gender productivity gap in informal enterprises is largely as a result of differences in endowment to factors of production and enterprise characteristics². Men-owned informal enterprises operate with higher capital and more working hours than women-owned enterprises. In addition, the firm size of men-owned enterprises is bigger than women-owned enterprises in terms of worth of the business. In addition, the sector where the enterprise operates coupled with period of existence yield higher returns for women-owned enterprises than for men-owned enterprises. Moreover, the use of technology acts as a productivity advantage for women-owned enterprises versus men-owned enterprises.

To increase productivity in the informal sector, the gender productivity gap needs to be bridged by:

- **Access to Finance:** As women mostly access finances via SACCOs and microfinance institutions, partnerships with such institutions in the affirmative action funds should be created to accommodate women sole-proprietors in the informal sector.
- **Enterprise Productivity:** All affirmative action funds to go beyond finance and incorporate business development support, capacity building,

marketing, and mentorship to improve women entrepreneurial skills. This can serve as an incentive for women to join men dominated sectors that are deemed more productive.

- **Time:** To address the time constraint that women face due to multiplicity of responsibilities, supportive programmes to ease time for women participation in economic activities are crucial, including access to water and energy. Additionally, there should be provision of safe and secure working environment through building market centres and street lighting projects to increase the working hours for women.
- **Technology:** Institutions mandated to advance technology should organize trade fairs and exhibitions for informal enterprises to showcase benefits of technology adoption among informal firms. Linkage between informal enterprises and technical training institutions need to be created through apprenticeship programmes on acquiring skills on new technology.

About KIPPR Policy Briefs

KIPPR Policy Briefs are aimed at a wide dissemination of the Institute's policy research findings. The findings are expected to stimulate discussion and also build capacity in the public policy making process in Kenya.

KIPPR acknowledges generous support from the Government of Kenya, and development partners who have continued to support the Institute's activities over the years.

For More Information Contact:

Kenya Institute for Public Policy Research and Analysis
 Bishops Road, Bishops Garden Towers
 P.O. Box 56445-00200, Nairobi
 Tel: 2719933/4
 Cell: 0736712724, 0724256078
 Email: admin@kippra.or.ke
 Website: <http://www.kippra.org>
 Twitter: @kipprakenya