

Exploiting Job Creation Potential for Youth in the Tourism Sector in Kenya

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Introduction

The tourism sector in Kenya offers three major product lines, namely: safari, coastal, and business and conference travel. The tourism sector contributes to socio-economic development through supply chain linkages with other sectors. The United Nation's Department of Economic and Social Affairs identifies various activities linked to tourism, including accommodation for visitors; food and beverage serving activities; passenger transport (road, railway, water, air); transport equipment rental; travel reservation services activities; cultural activities; sports and recreational activities; retail trade; and other country-specific tourism characteristic activities. These activities confer Kenya with strengths that can be harnessed to promote further development of the sector and its performance. Besides job creation through supply chain linkages, tourism contributes to foreign exchange earnings, enterprise development, and investment across other sectors. Further, the sector provides incentives to preserve natural and cultural sites and improve local environmental management and sustainable development. The sector contributes about 10% of Kenya's Gross Domestic Product (GDP), and it is a key source of employment growth and poverty alleviation.

It is estimated that Kenya's tourism sector has over 4,000 formal establishments that offer over 70,000 direct wage jobs.¹ These wage jobs account for 5% of the national wage employment totalling 2.9 million in 2019. In addition, it offers nearly 7% of informal sector jobs with over 900,000 individuals self-employed in direct tourism-related activities. To this end, there is need to examine how Kenya's tourism sector can become more competitive, capture greater value from tourism and create more jobs especially for the youth. This can be achieved by identifying and addressing bottlenecks that make the sector less competitive.

This policy brief is based on the study on "Industries without Smokestacks (IWOSS) in Africa: Kenya Case Study (2021)", that used a mixed methods approach

to assess the scope for the tourism sector to generate large-scale formal employment opportunities for the youth. The study specifically sought to identify the tourism industry's contribution to jobs for the youth, assess the labour skills, particularly soft and digital skills requirements of the tourism industry, and identify constraints to growth of the industry. The main approaches encompassed a review of sectoral performance with regard to growth and wage employment, and assessment of current and projected levels of jobs and productivity along the value chain. The data sources included Kenya's Social Accounting Matrix (SAM), 2015; the World Bank Jobs Group Database; Occupational Network Data (O-NET); the Kenya Integrated Household Budget Survey (KIHBS) 2015/2016; and primary data collected from targeted key informants of industry actors in December 2020.

Employment Creation Potential and Skills Requirements in the Tourism Sector

Over the years, wage employment shares of tourism increased from 8.7 per cent in 2016 to 9 per cent in 2018.² The annualized growth rate in wage employment in tourism was larger (at 3.5%) compared to the total employment growth (of 3.1%) as of 2018. Additionally, the sector was found to absorb more women in wage employment compared to men. Using wage employment elasticities, labour to output ratios and multipliers, it was established that the tourism sector has higher ratios, an indication that the sector is labour-intensive. Sectoral analysis reveals that it has one of the highest labour-output ratios of 2.7 relative to the economy's average of 1.3. The high employment growth ratio elasticity values suggest that growth in wage jobs in the tourism sector is more responsive to its output growth.

Job creation in tourism has varied skills requirements. There are, however, significant skill deficits among unemployed youth for occupations within the tourism sector. The skills availability ratio is also below 10, which indicates that attracting skills to the sector may

be difficult for all skills levels. In general, for the sample of occupations selected, there appeared to be a skills deficit, with the smallest deficit being observed in the age cohort between 20 and 24 of 1.63 years (Table 1). Skills adequacies and surpluses were only observed for occupations requiring primary education of 8 years of schooling that may be followed by brief on-the-job training and secondary education of 12 years of schooling, with on-the-job training.

The sector has a moderate skills deficit with basic, social and technical skills critically remaining deficient. Findings from the Kenya case study indicate that basic skills are deemed imperative but not as important as social skills. Social skills and problem-solving skills are generally relatively more important set of skills required among tourism firms with scores of 4 or more for most occupations. For all the occupations, with the exception of Information and Communications Technology (ICT) support, social skills score at least 4 out of 5 points, suggesting a high level of importance attached to this set of skills. For ICT, the most important set of skills required by tourism firms are problem solving skills and technical skills.

Skills deficit in tourism was attributed to unsatisfactory education and training outcomes. Although the country recorded consistent expansion in participation in education and training, most of the progress was on basic education. Tertiary education is still low, relative to a typical middle-income country. One of the factors driving skills gap is the rapid change in technology, which necessitates the need for skills upgrading to cope with market requirements. Other factors are changing customer needs and business expansion. There are also weak linkages between education and training, and industry and the labour market.

Key Constraints to Growth and Employment Creation Potential of the Tourism Sector

The potential for growth of the tourism sector is inhibited by a number of emerging and prevailing constraints. Some constraints are cross-cutting, particularly relating to infrastructure and others are sector-specific, affecting tourism firms. With respect to infrastructure, inadequate supply and high cost of electricity are key constraints. There is also relatively high cost of logistics with regard to road and railway transport, and some firms had to put up with poor road infrastructure especially feeder roads. Poor road infrastructure also translates into difficulties accessing natural and wildlife assets, particularly within the parks. Prime offerings are also affected by congestion and hence erosion of the value of product offerings. Other challenges relate to water shortages, high cost of utilities, dilapidated hotel establishments, insufficient waste management; relatively high transport costs; and a limited range of lodging options that mainly focus on international inbound tourists and less on domestic and regional tourists, meaning that employment creation is seasonal in nature.

Access to reliable electricity and transport infrastructure pose substantial challenges to firms in the sector, and about 91% of sampled hotels and restaurants indicated to have experienced electricity outages with an average of 6.3 outages in a typical month. This is quite significant and is likely to translate into higher operational costs when hotels are compelled to invest in and use generators. This also has implications on firm level competitiveness and the level of investment in the country.

There are also skills gaps and constraints in form of a deficit for appropriately trained and qualified

	Modal Years of	Skills Gaps (Age Cohort)			
		15-19	20-24	25-29	30-34
Schooling (O*NET)					
Supply Chain Manager	16	-8	-4	-8	-8
Lodging Managers	16	-8	-4	-8	-8
Meeting, Convention and Event Planners	16	-8	-4	-8	-8
Real Estate Brokers	16	-8	-4	-8	-8
Concierges	12	-4	0	-4	-4
First-Line Supervisors of Housekeeping and Janitorial Workers	12	-4	0	-4	-4
Average Skills Gap (for 20 occupations)		-5.63	-1.63	-5.63	-5.63

Source: Authors' calculations using KIHBS

Table 2: Skills gap analysis for occupations in excursions					
	Modal Years of	Skills Gaps (Age cohort)			
		15-19	20-24	25-29	30-34
Schooling (O*NET)		15-19	20-24	25-29	30-34
Environmental Restoration Planners	18	-10	-6	-10	-10
Fish and Game Wardens	16	-8	-4	-8	-8
Forest and Conservation Technicians	16	-8	-4	-8	-8
First-Line Supervisors of Aquacultural Workers	16	-8	-4	-8	-8
Range Managers	16	-8	-4	-8	-8
Zoologists and Wildlife Biologists	16	-8	-4	-8	-8
Tour Guides and Escorts	12	-4	0	-4	-4
Non-farm Animal Caretakers	12	-4	0	-4	-4
Photographers	12	-4	0	-4	-4
Reservation and Transportation Ticket Agents and Travel Clerks	12	-4	0	-4	-4
Average Skills Gap		-6.75	-2.75	-6.75	-6.75

Source: Authors' calculations using KIHBS

personnel. It is estimated that at least 5,000 new graduates are needed annually compared to a little over 3,000 supplied. The situation is made more complex by out-migration of hospitality personnel, especially the specialized workforce, to other countries within the region.

Another challenge relates to the issue of taxation of firms operating in this sector. Key informants within the sector identified multiple taxation and an unclear tax regime as a major hurdle. This is consistent with firm level data in which tax administration was described as a major obstacle by 31% of the establishments and a very severe obstacle by another 6%. Other conspicuous challenges are relative instability in the region, linked with heightened terrorism activities especially in the early 2000.

Kenya has East Africa's largest convention facilities and the sector has great potential to grow. However, growth in Meetings, Incentives, Conferences and Exhibitions (MICE) tourism sub-sector has been hampered by lack of large venues that can attract and accommodate international events of up to

10,000 participants. The largest facility in the country, the Kenyatta International Convention Centre can only accommodate 5,000 participants.

It is further observed that Kenya's product mix is predictable and there is constrained innovative product offerings for visitors. In addition, the locals living in communities bordering the national parks and game reserves have not been benefiting much in terms of employment and revenue generated by the safari products since most tours are externally arranged.

Implications for Policy and Recommendations

Interventions should be geared towards addressing the challenges of inadequate specialized training institutions, and multiple taxation and levies. The skills deficits in the sector are attributed to unsatisfactory educational training, weak linkages between education and training institutions, and the industry the labour market. Table 3 presents a detailed summary of the challenges and recommendations.

Table 3: Action plan		
Sector constraints	Recommendation	Responsible actors
Weak linkages between training institutions and the industry	Enhance linkages between training institutions and the industry through curriculum reviews and enhanced forum for interactions	Ministry of Tourism and Wildlife Ministry of Education
Inadequate specialised training institutions	Increase number of specialized training institutions through budgetary allocations and licensing/approvals	Ministry of Tourism and Wildlife Ministry of Education National Treasury.
Congestion and hence erosion of the value of the product offerings	Increase entry charges for prime locations	Ministry of Tourism and Wildlife

Multiple taxation and levies	Streamline licensing across various institutions at the National and County government levels	All licensing institutions at the National and County Government levels
Gradual driving out of locals in tourism value chains and limited inclusion of local Micro, Small and Medium Enterprises (MSMEs)	Promote community conservancies	County governments
Coastal tourism – predictable product mix, i.e. lack of product innovation/diversification/development	Enhance innovations in new products	All stakeholders involved in coastal tourism
Limited availability of large venues for MICE sub-sector	Fast-track the construction of larger venues at Nairobi and Mombasa cities	National Government and partners
Relatively high transport costs; and a limited range of lodging options that mainly focus on international inbound tourists and less on domestic and regional tourists	Promote targeted public investments and incentivize private sectors investors	National Government, County Governments

Endnotes

1. Tourism Research Institute (2019). Tourism Satellite Account, Kenya. Nairobi: Tourism Research Institute
2. <https://s3-eu-west-1.amazonaws.com/s3.sourceafrica.net/documents/119905/KNBS-Economic-Survey-2020.pdf>

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KIPPRA 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.

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