

ECONOMIC CRISIS AND WOMEN'S EMPLOYMENT IN URBAN KENYA

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ABSTRACT

Traditionally, women have lagged behind men in terms of entering the labour force, and in many countries their earnings lag behind male earnings. However, in recent years, many developed and developing economies have experienced transformations in their labour market structures due to trends such as globalization and economic restructuring.

Indeed, the labour market in Kenya has undergone several changes since the country's independence in 1963. For instance, owing to a rapid expansion of its education system, the supply of educated labour has increased over time. Furthermore, since the 1970s real wages have dropped steeply and the implementation of structural adjustment reforms (SAP) in 1980s has been accompanied by changes in the structure of employment, incomes and poverty. The economy has performed poorly as evident from low GDP growth and declining real earnings and standard of living. Both unemployment and informal sector employment have increased (informal sector employment has increased from 20.0 percent in 1988 to 79.1 percent in 2007) while formal sector or modern wage employment has declined (from 77.5 percent in 1988 to 20.2 percent in 2007).

Set against a background of declining growth rates and in the context of the urban areas of Kenya, this dissertation examines three issues. First, it provides an assessment of various factors (human capital, individual and household characteristics) that influence the substantial increase in women's employment rate. The employment rate (ER) is treated as the effective LFPR as virtually all women were participating in the labour-force by 1998 (87.2% as compared to 58.4% in 1986). Second, it examines gender differentials in the incidence of unemployment and third, it examines the factors that determine sector of employment choice (formal versus informal job attainment).

The empirical analysis presented in the thesis is based on two cross-section labour force surveys conducted in 1986 and 1998 and on primary data (mainly qualitative) collected in 2003. The LFS data are slightly more than a decade apart and coincide with

periods before and after implementation of SAP. While more recent labour force data would have helped provide a more contemporary account, at the moment the 1998 LFS is the most recent publicly accessible survey.

As far as the first issue is concerned, the analysis reported in the thesis shows that the bulk of the increase in women's insertion into the labour market comes from an increase in the work participation of married women. While women's higher educational endowments, particularly the increase in secondary education, accounts for an improvement in their employment prospects, the period also witnesses a sharp decline in the importance given to education in determining employment and by 1998, university graduates are just as likely to be employed as individuals with no education. The period between 1986 and 1998 witnessed civil service reforms, restructuring of the private sector, firm closures and increasing job insecurities. Notwithstanding the role of education, declining opportunities for males who in 1986 were the primary bread winners and the accompanying income and employment insecurities within households seem to be the key factors prompting the sharp increase in the labour supply of (married) women.

Turning to gender differences in unemployment, the sharp increase in female LFPR is not matched by an increase in their employment rate and consequently unemployment amongst women remains a pressing problem. In contrast, male unemployment rates are substantially lower and do not increase over time. Using a Blinder-Oaxaca type decomposition framework, the thesis establishes that the overall likelihood of being unemployed is heavily influenced by sex, marital status, household-headship and human capital characteristics such as experience and level of education. The decomposition estimates display that for both periods, gender gaps in unemployment may overwhelmingly, about 81 to 84 percent, be attributed to the composition effect.

Finally, in terms of access to formal sector employment, the analysis shows that in both periods, experience and education are highly valued in the formal sector. Over time, the importance of education in securing labour market access increases by about 8 percentage points (for both primary and secondary education). However, there are sharp gender differences. For men, the importance of education increases (from 7 to 31 percentage points for secondary education) while for women it declines (from 49 to 39 percentage points for secondary education) suggesting the

presence of labour market segregation. Over time, the negative effect of marital status on female formal sector participation declines reflecting the increasing insertion of married women in the labour market. Underscoring the use of the informal sector as a last resort option, the analysis shows that declines in husbands' real earnings are associated with a sharp increase in women's participation in the informal sector. The increasing participation of women in the vulnerable informal sector is consistent with the feminist version of the structuralist characterization of the informal sector.

