Assessing Labour Productivity for Kisumu County

By Cecilia Naeku and Esther Irungu

Introduction

Kisumu County is a member of the Lake Region Economic Bloc (LREB) and is one of the six economic Blocs. The county is classified as a non-ASAL county with less than 10 per cent aridity levels. It is also one of the four cities in Kenya and is largely urban. Kisumu County occupies a total land area of 2085.9 km^2 and has seven Sub-Counties namely: Kisumu East, Kisumu West, Kisumu Central, Muhoroni, Nyando, Seme, and Nyakach.

Key highlights:

Productivity in Kisumu County is characterised by the following.

i.   The services sector dominates the county gross value addition with a large share of transport and storage services. Agriculture is characterised by cattle and goat for meat, milk production, a somehow diversified poultry farming and apiculture that has unexploited potential. In industry, manufacturing is the largest dominated by food products and textile.

ii. Quality of labour is high but significant effort is required to increase secondary school enrolment and reduce child poverty.

iii. Essential infrastructure and capital are above the national average, but a lot of effort is required in access to electricity, internet connectivity, and quality housing.

iv. Services sector employs most of the workforce in the wholesale and retail trading which is generally informal with retail sale of food, beverages, and tobacco products dominating. In agriculture, employment is highest in crop production while in industry manufacturing takes the largest share.

v.   Labour productivity is higher than the national average with industry sector having the highest productivity while agriculture has the lowest. In industrial sector, the highest productivity is in mining and quarrying followed by manufacturing. In services sector, information and communication has the highest.

To enhance productivity

i. Increase investments in high technology manufacturing firms by creating an enabling environment to attract both domestic and foreign direct investment. With the entry of pharmaceuticals in manufacturing strong linkages with other sectors especially in sourcing for raw materials will help improve productivity in other sectors.

ii. Create an enabling environment for private sector growth by providing for essential infrastructure including access to electricity, and internet connectivity. Moreover, promoting housing development will catalyse employment creation. Furthermore, support the development of county aggregation industrial parks to ensure MSMEs grow their business.

iii. Enhance agriculture productivity to even support manufacturing and services sectors. This entails exploiting emerging activities such as apiculture and poultry farming, integrating animal production to dairy and leather value chains, and supporting farmers to grow maize. In addition is cotton growing to support the textile industry.

Kisumu County Economic performance

Kisumu County contributes on average to 2.5 per cent of the National Gross Value added with an average GVA size of Ksh.191,1937 million. The GVA per capita for Kisumu County is Ksh. 165,456 with an average population growth of 3.38 per cent and overall poverty levels at 36.3 per cent. Kisumu County has shown a steady growth in GVA with an average growth rate of 4.48 per cent from 2013-2022 which is slightly above the national average growth of 4.37 per cent as shown in Figure 1. The highest growth rate was experienced in 2018 while the lowest growth rate was experienced in 2016 due to a drought episode that affected the whole country and 2020 due to the COVID-19 pandemic.
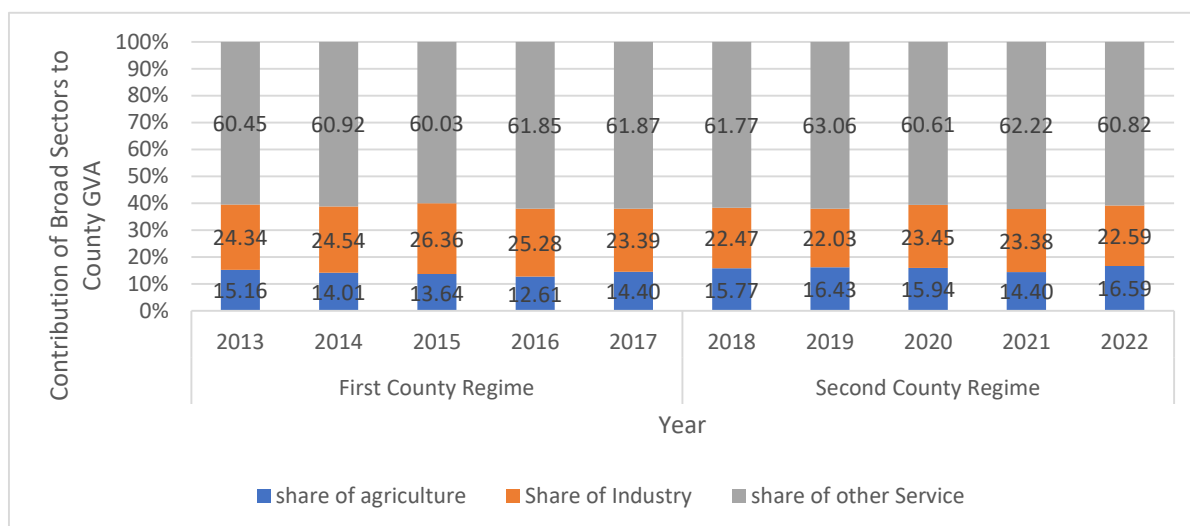
Figure 1: Kisumu County GVA growth rate
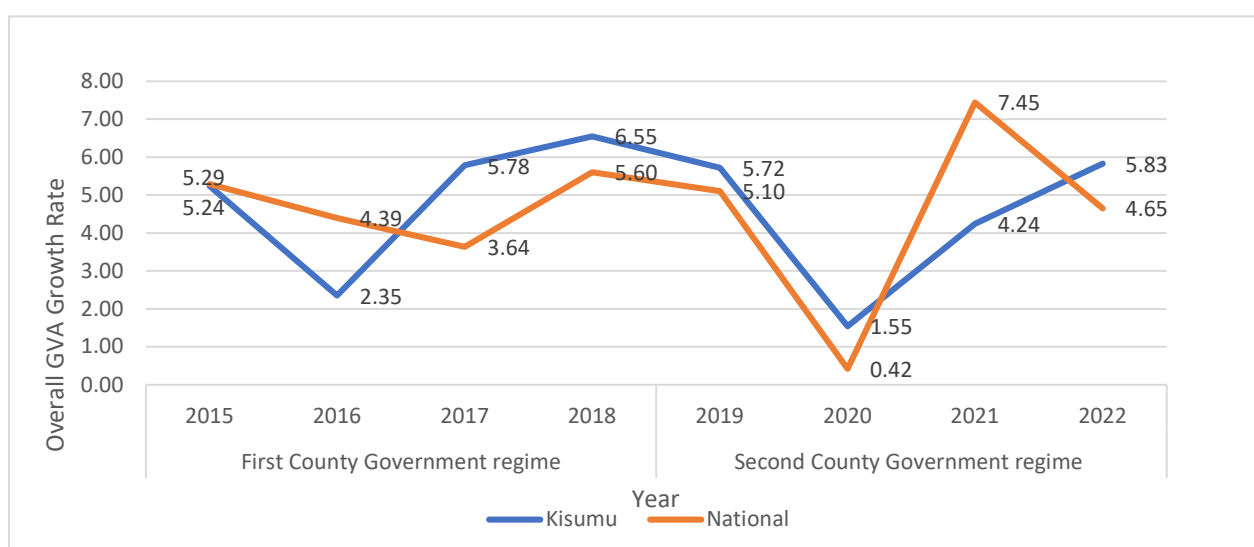
Data Source: GCP 2023

Sectoral Analysis of Kisumu County GVA

The services sector is dominant in Kisumu County with an average contribution to GVA of 61 per cent. The industry sector is second, contributing an average of 23 per cent to the GVA while Agriculture contributes about 15 per cent to the total GVA as shown in Figure 2.

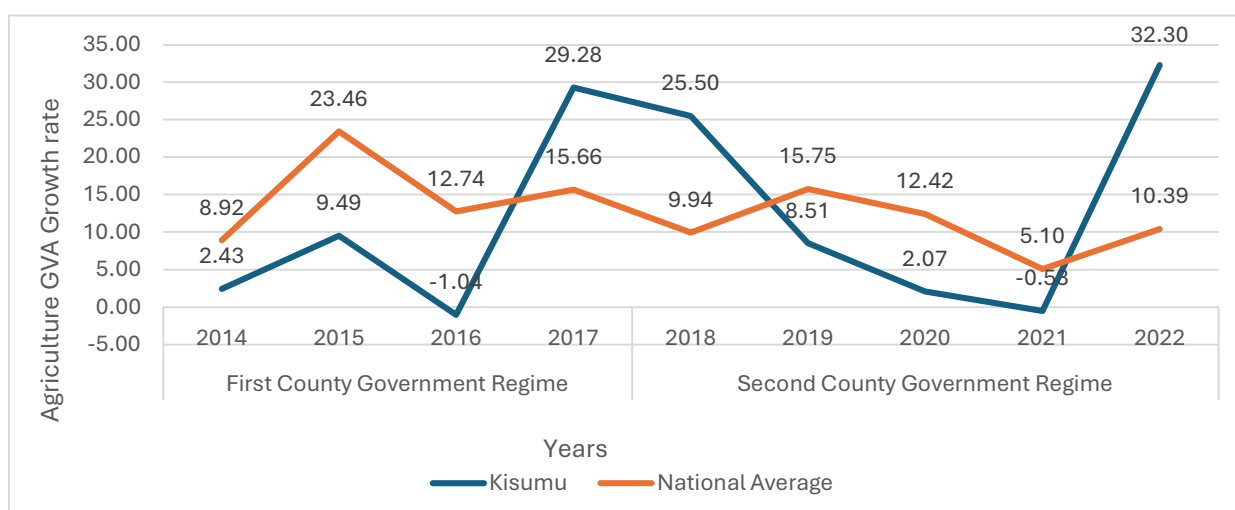*Figure 2 : Contribution of Broad sectors to Kisumu County GVA*

Data Source: GCP 2023

Agriculture

The average Agriculture GVA growth rate (2013-2022) for Kisumu County was 12 per cent, slightly below the national average of 12.7 per cent as shown below in Figure 3.

*Figure 3 : Kisumu County Agriculture GVA growth rate*

Data Source: GCP 2023

Although agriculture contribution is relatively low, agriculture is a major economic activity in the rural areas where rice and sugarcane are grown mainly in Nyando and Muhoroni respectively. Fishing is also a significant contributor to the economy, although when

compared with the other counties along the Lake Victoria riparian, Kisumu contributes a paltry 4 per cent to the total fish caught as observed in Figure 4.

Figure 4 : Fish weight caught per riparian county in 2021
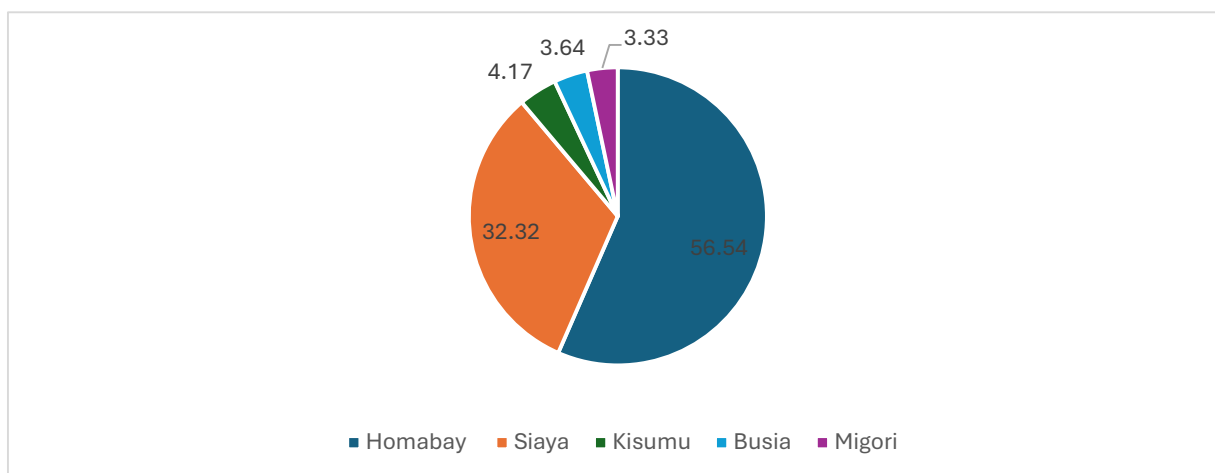
Data source: State department for Fisheries (2021)

Maize, the main stable food in the country is also the main food crop produced in Kisumu County. Although the area of maize production has been increasing over the years, maize production has been decreasing indicating the effects of droughts and pest invasion that affect productivity as shown in Figure 5.

Figure 5: Maize production and area of maize harvested.
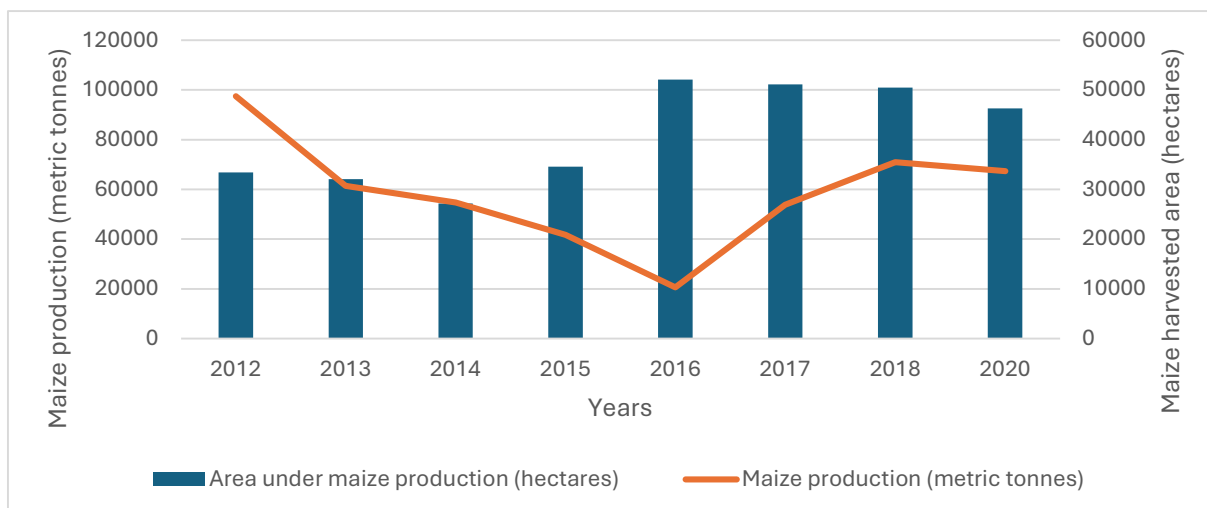
Data source: NIPFN

Livestock production in Kisumu County is on a smaller scale when compared to crop production. The most common types of livestock in the county are beef cattle and sheep. Poultry production is also significantly high in the county with the most common type being indigenous chicken. Despite having a lower percentage of dairy cattle, milk has the highest total value in the county, and beef and poultry meat also have relatively higher values. Mutton has a relatively lower value despite the higher percentage of sheep kept indicating consumption preference factors as observed in Figure 6.
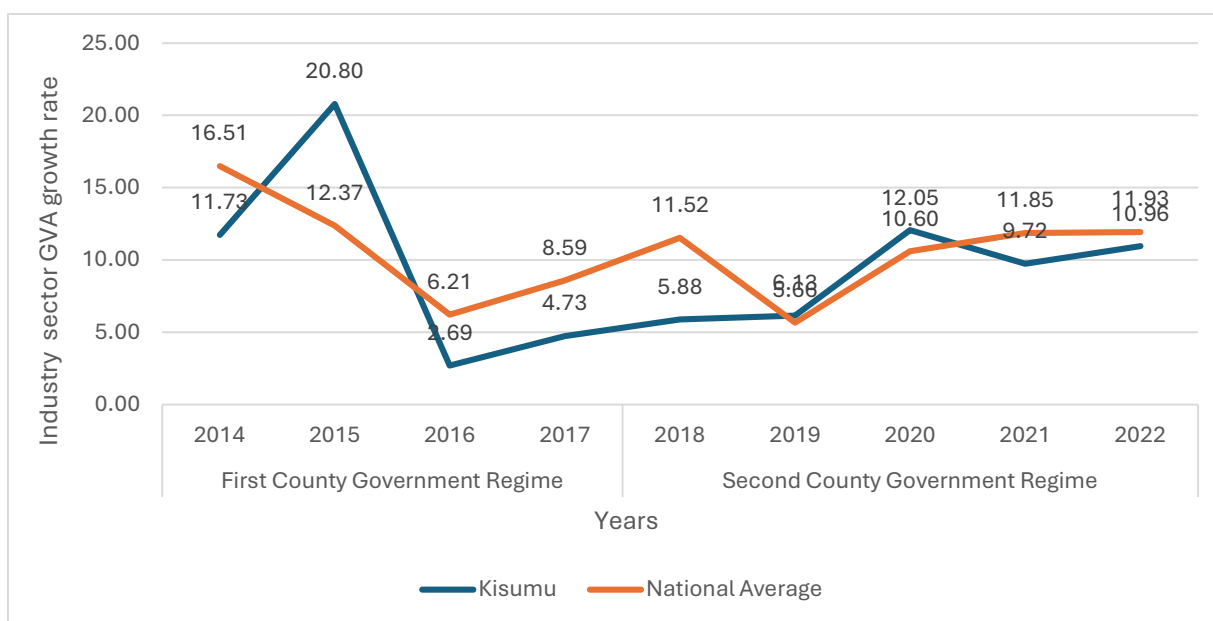
Figure 6 : Livestock production statistics
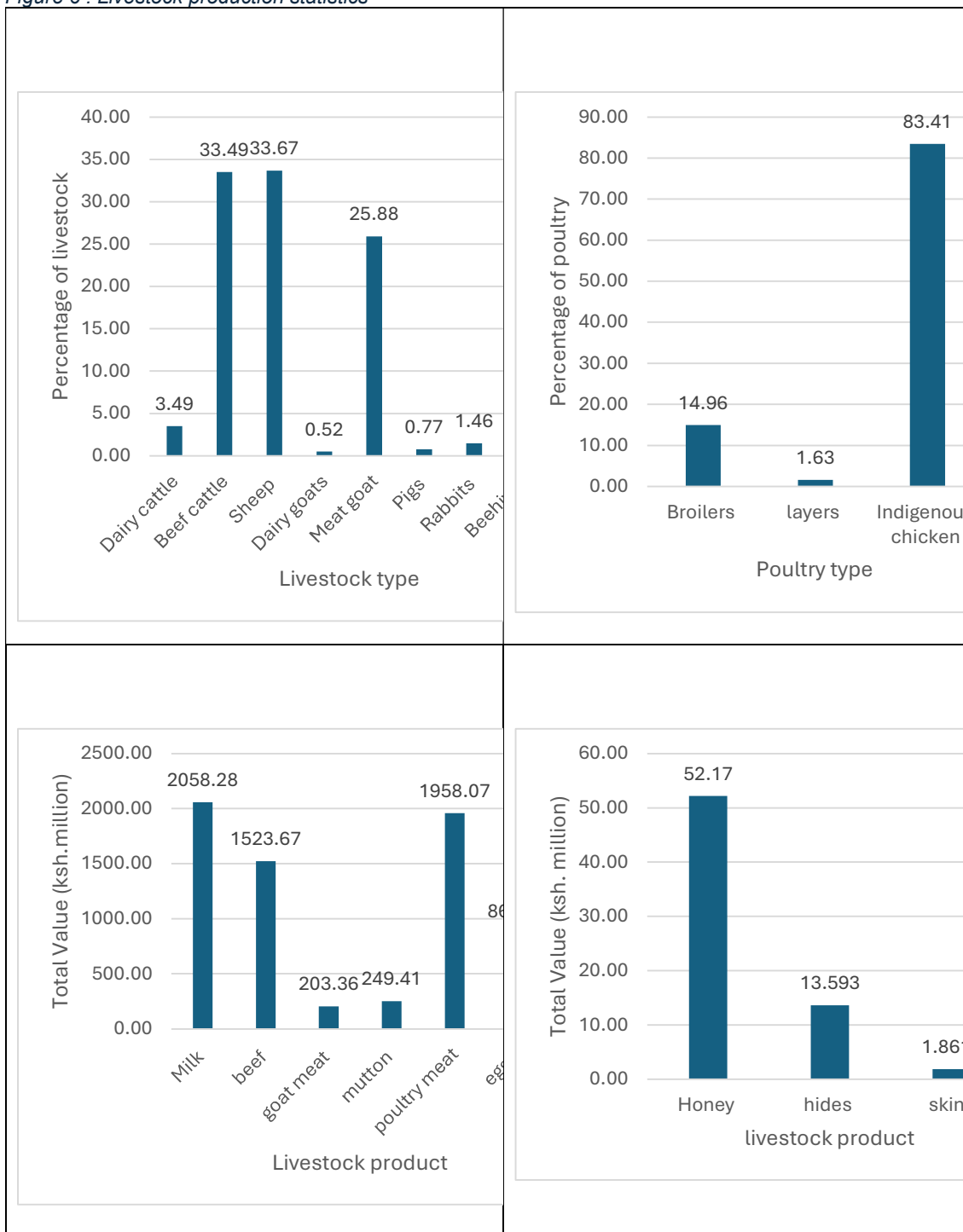
Data source: NIPFN

Industry Sector

The average Industry sector growth rate for Kisumu County is 9.41 per cent which is below the national average of 10.58 per cent as shown in Figure 7.

Figure 7 : Kisumu County Industry GVA growth rate

Data Source: GCP 2023

Manufacturing dominates the industry sector as shown in Figure 8. Kisumu hosts several large industries, including Kenya Breweries Limited, 3 operational sugar factories, at Chemelil, Muhoroni, Kibos factory, and one at Miwani which closed. Other light industries for textiles, molasses, fish processing plants, and agricultural produce processors are also present in the county.

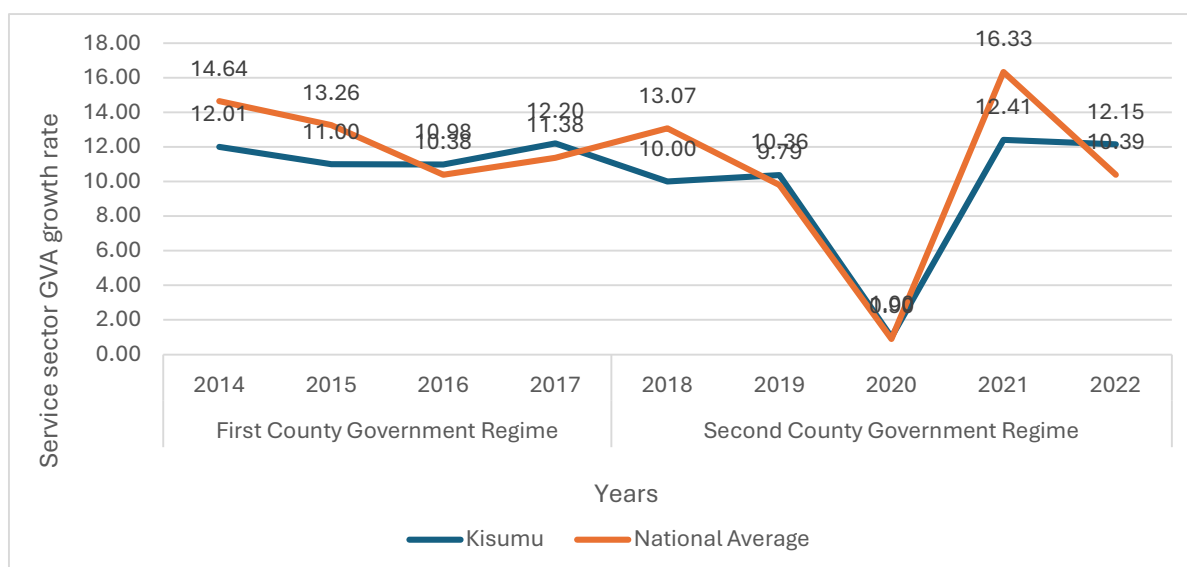*Figure 8 : Contribution of industry Sectors to Industry GVA*
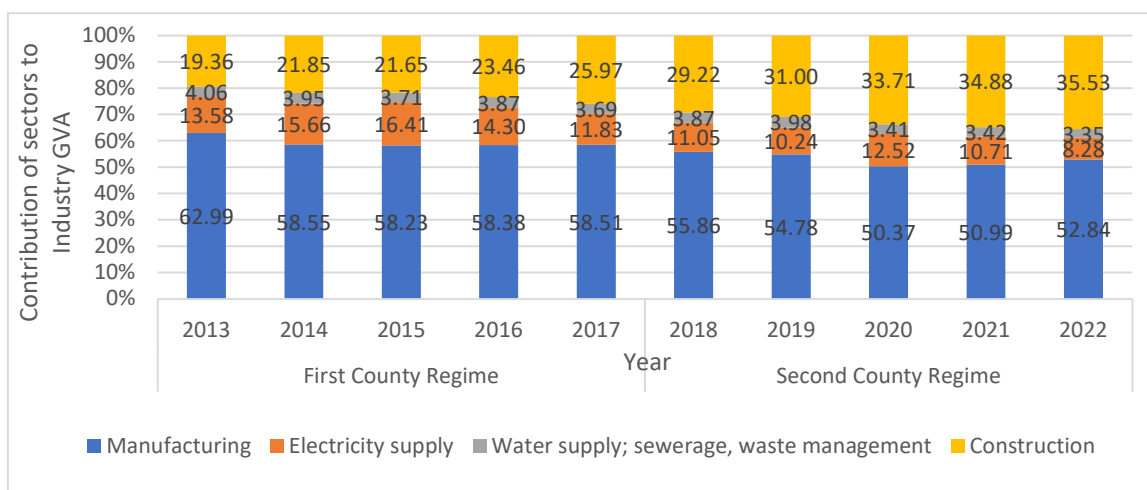
 Data Source: GCP 2023

Services sector

The average service sector growth rate is 10.23 per cent which is below the national average of 11.13 per cent as shown in Figure 9.

Figure 9 : Kisumu County Services sector GVA growth rate
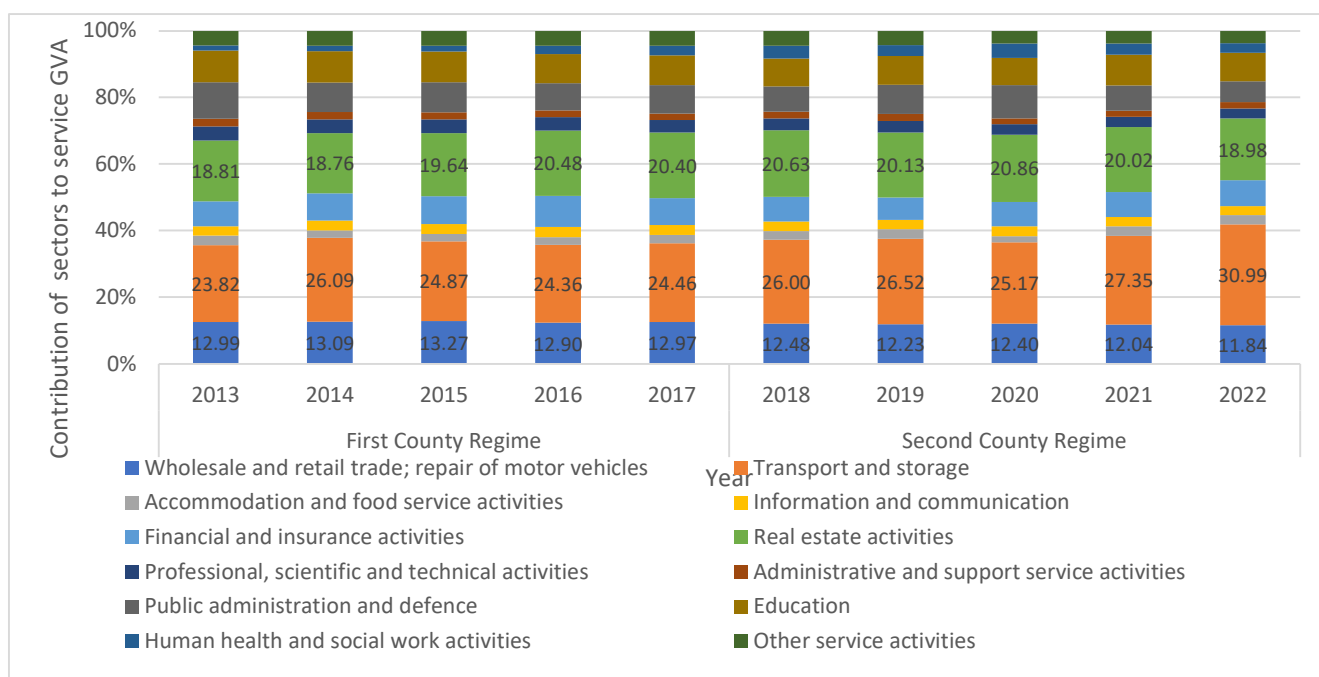

Data Source: GCP 2023

Transport and storage services dominate the services sector with the highest contribution to service GVA at 25.6 per cent. Notably, the county has an international airport making it a key transport hub in Nyanza and the Western Region of Kenya. The airport has a cargo handling facility and cold storage and great potential for exporting fresh produce produced by farmers and fishermen from the region. The county also hosts the Kisumu Port, which is destined to be a major hub for the import and export of goods in the region. The revival of the passenger rail services from Nairobi to Kisumu in 2021 is another significant investment contributing to the dominance of transport and storage services in the county.

The real estate sector is the second highest contributor to services GVA at 19.9 per cent. The growth of the real estate sector can be attributed to the county hosting a city and having significant industries that create employment opportunities that attract labour from the region.

The wholesale and retail trade is a third at 12.6 per cent as shown in Figure 10. The county has a thriving informal sector, with many small businesses operating in the county.

Although the contribution by tourism to the services GVA is relatively low at 2.6 per cent the county has notable tourist sites such as the Kiboko Bay Beach Resort, the Hippo Point, and the Kit Mikayi rock formations. Kisumu city has potential for business and conference tourism while Lake Victoria holds potential for water sports tourism.

Figure 10 : Contribution of sectors to Service sector GVA

Data Source: GCP 2023

Quantity and quality of labour for Kisumu County

Kisumu County has a total working-age population of 657,677 which is 57 per cent of the total county population. The majority of the working-age population is youthful (18-34 years) at 53.1 per cent as shown in Table 1.

Table 1: Distribution of the working-age population by age categories

Working age population	Male	Female	Total	Percentage of Total Working age population (%)
15-17	42,166	43,252	85,418	12.99
18 –24	75,102	87,424	162,526	24.71
25-34	86,502	100,582	187,084	28.45
35-64	112,543	110,106	222,649	33.85
Total	316,313	231,258	657,677	

Data Source: KPHC 2019

The majority of the population in Kisumu sub-counties are persons in the working age categories. Kisumu Central has the highest percentage of persons of working age at 65 per cent.

In all the sub-counties of Kisumu County the youthful working ages 18-34 are the majority with the urban sub-counties of Kisumu East, Kisumu Central, and Kisumu West having the highest youthful working age population as observed in Table 2.

Table 2: Sub-County distribution of working-age population by age category

Sub- County		Working Age Population categories				Working age population (15-64) as a percentage of the total sub-county population
	Total Population	15-17	18 – 24	25 – 34	35-64	
Kisumu East	220,993	14,314 (10.79)	34,711 (26.17)	44,152 (33.29)	39,443 (29.74)	103,266 (46.73)
Kisumu Central	174,140	10,903 (9.63)	27,935 (24.67)	37,597 (33.20)	36,818 (32.51)	113,253 (65.04)
Kisumu West	172,818	12,362 (12.31)	26,780 (26.68)	27,770 (27.66)	33,472 (33.34)	100,384 (58.09)
Seme	121,665	9,925 (15.76)	14,677 (23.31)	15,093 (23.97)	23,266 (36.95)	65,459 (53.80)
Muhoroni	154,115	11,976 (14.33)	19,125 (22.89)	21,489 (25.72)	30,968 (37.06)	83,558 (54.22)
Nyando	161,501	13,277 (15.28)	20,828 (23.96)	22,524 (25.92)	30,284 (34.84)	86,913 (53.82)
Nyakach	150,319	12,661 (16.23)	18,470 (23.68)	18,459 (23.67)	28,398 (36.41)	77,988 (51.88)

Data Source: KPHC 2019

Kisumu County has high socioeconomic indicators that affect the quality of labour as reported in Table 3.

Table 3: Human capital Indicators

Human Capital Indicators	County	National Average
Literacy Rate (2019)	93.90	78.41
Pre-primary Net enrolment rate (2019)	85.33	67.51
Primary School Net enrolment rate (2020)	101.60	77.72
Secondary school Net enrolment rate (2020)	60.80	54.18
Average years of schooling (2014)	8.60	7.78
Percentage of Children 12 -23 months fully vaccinated (2022)	78.90	74.97
Percentage of stunted children (2022)	9.10	19.75
Percentage of teenage pregnancy (2022)	11.10	15.79
Primary to secondary transition rates (2020)	89.60	86.13
Pupil-teacher ratio (Primary school) (2020)	30.00	28.28
Food poverty Head count (%) (2021)	28.60	33.63
Child Poverty Head count (%) (2021)	35.60	42.67

Source: KDHS 2022, KPHC 2019, Basic Education Statistical Booklet, 2020, 2021 KNBS Kenya Poverty Report

Kisumu County has higher than the national average for essential infrastructure and capital indicators that support production of county output as shown in Table 4.

Table 4: Essential Infrastructure and Capital Indicators

Essential infrastructure Indicators	County	National Average
Percentage of households with access to electricity (2019)	52.60	38.52
Rural Access Index (2018)	83.93	63.72
Access to improved sanitation (2018)	96.00	59.04
Access to improved water (2018)	79.90	65.33

Distribution of Population using the Internet (2019)	23.90	18.69
The proportion of Primary Schools with Internet (2020)	31.90	27.65
Proportion of secondary schools with functional internet (2020)	30.00	35.13
Percentage of households by housing material composite-finished materials(adequate) (2019)	56.38	51.71
Financial inclusion level (2021)	88.20	81.01
Percentage of Households using Bank usage (2021)	49.90	38.18
Percentage of Households using Mobile Money (2021)	86.50	78.58

Data Sources: KRB 2018, KPHC 2019, FinAccess 2021, KIHBS 2015/16, Basic Education Statistical Booklet, 2020

County Employment Statistics

Employment to population ratio at 60 per cent the majority of those working is the youthful working population 18- 34 at 30 per cent while those 35-64 at 28 per cent as shown in Table 5. The percentage of the employed by gender is 37 per cent for both males and females. The unemployment rate is at 7.6 per cent with unemployment being slightly higher for the youth (18-34 years) at 5.2 per cent and those between 35-64 years at 2.3 per cent. The percentage of persons 5–17 years old working is 1.07 per cent indicating that the county has low levels of child labour. The inactivity rate for the youth (15-24) is at 24.59 per cent which is expected as most are pursuing education while that of the prime age (25-64 years) is at 6.42 per cent as shown in table 5 below.

Table 5: Kisumu County employment statistics

Employment statistics	Youth	Non youth
Employment to population ratio (%)	30	28
Unemployment rate	5.2	2.3
Percentage of persons 5–17 years old working	1.07	-
Inactivity rate	24.59	6.42

Data Source: KPHC 2019

Sectoral Employment

The services sector is the highest employer in Kisumu County at 47.68 per cent followed by the agriculture sector at 39.25 per cent while the industry sector has the lowest employment shares at 12.91 per cent as shown in Figure 11.

*Figure 11: Percentage of persons employed in the broad sectors*
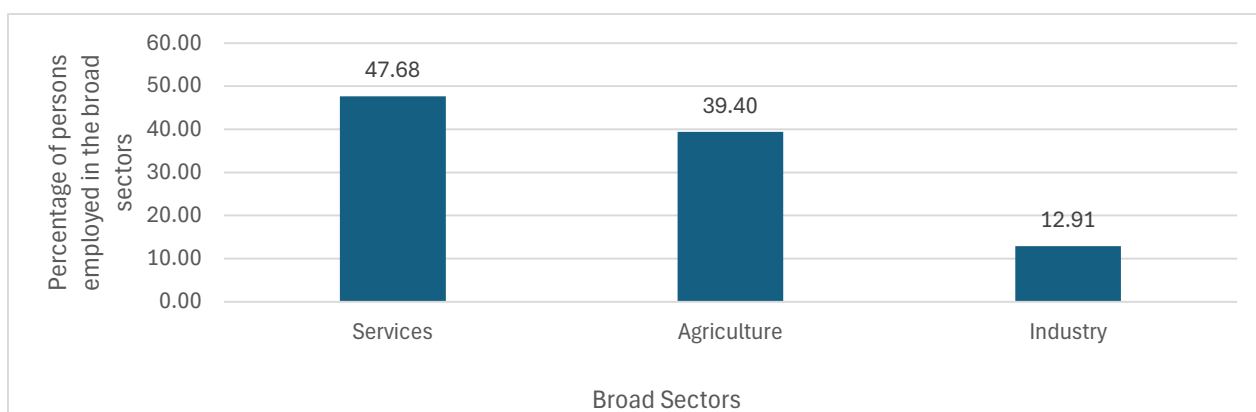
Data Source: KCHS 2021

Agriculture sector employment

In agriculture, the majority are those practicing crop production. The main food crops grown in the county are maize, sorghum, rice, bean, finger millet, cassava, potato, groundnut while the cash crops include sugarcane and cotton as observed in Figure 12.

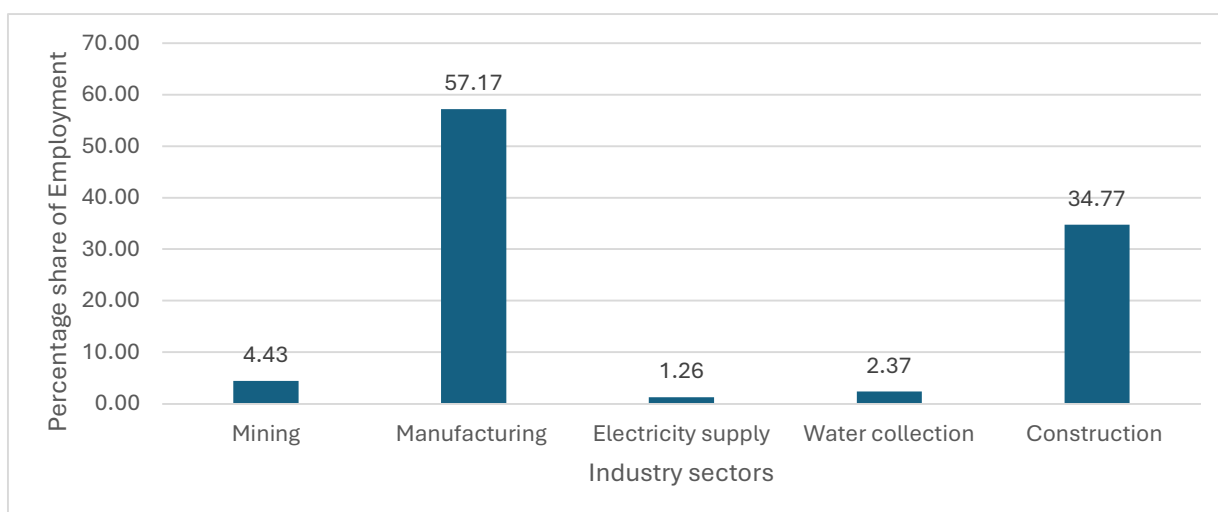*Figure 12: Percentage share of employment in Agriculture sub-sectors*
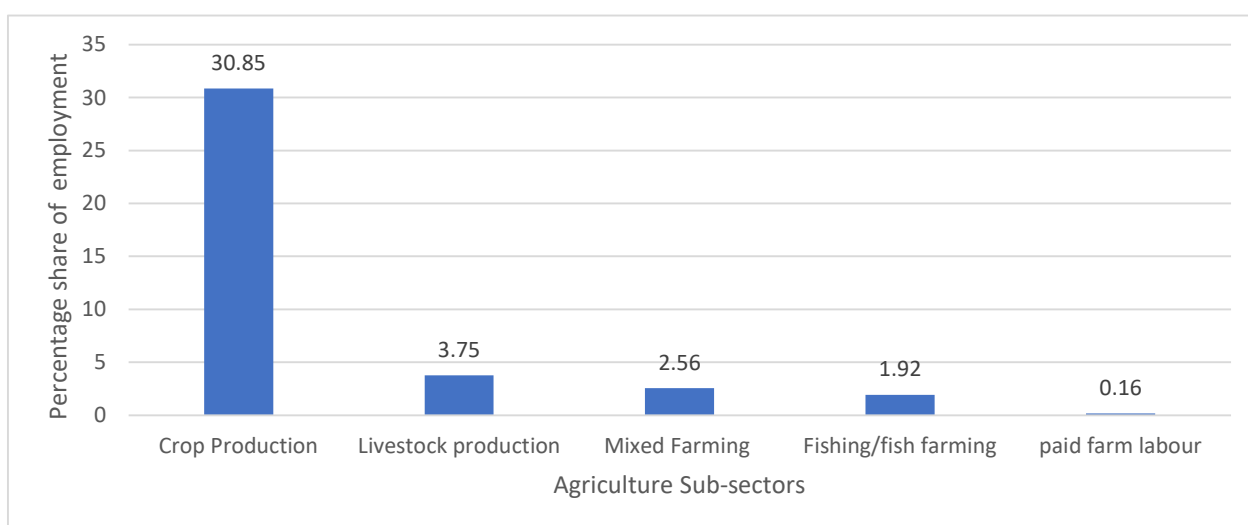
Data Source: KCHS 2021

Industry sector Employment

The majority of those working in the industry sectors are in manufacturing, followed by the construction sector as indicated in Figure 13 below.

Figure 13: Percentage share of employment in the industry sectors.

Data Source: KCHS 2021

A disaggregation of employment in manufacturing shows that the majority of those employed in the sector work in low-technology manufacturing sub-sectors such as agro-processing and textile industries as shown in Figure 14. These sectors also heavily depend on the agriculture sector for raw materials.

*Figure 14 : Percentage share of employment in Manufacturing sub-sectors*
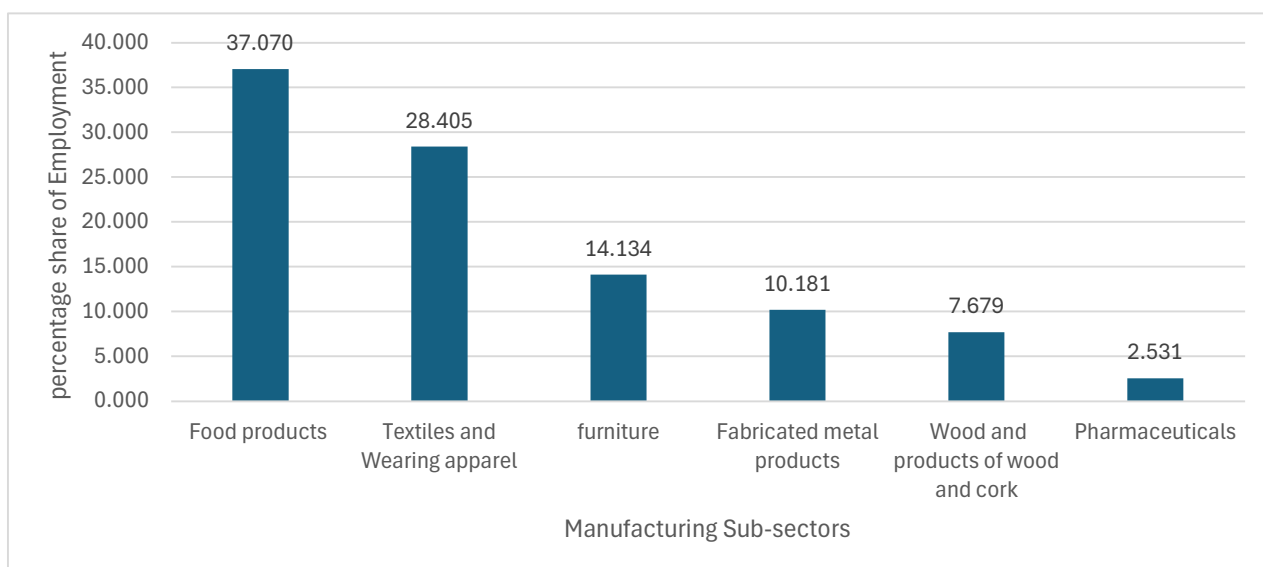
Data Source: KCHS 2021

Services sector Employment

The majority of those working in the service sector work in wholesale and retail trade, followed by transport and storage as shown in Figure 15 below. Retailing and wholesaling industries represent the intermediate steps in the distribution of merchandise between producers and consumers of goods. Wholesale and retail trade services (commerce) are crucial to the efficient and effective flow of goods from producer to consumer. This sector is labor-intensive hence it is among the largest employers the world over. In Kenya, the wholesale and retail trade sector has been identified as a

contributor to the achievement of the Kenya Vision 2030 through job creation. Despite the higher share of employment in the service sector, the output of the sector remains low with the sector having high levels of informality.

Figure 15: Percentage share of employment in the service sector.
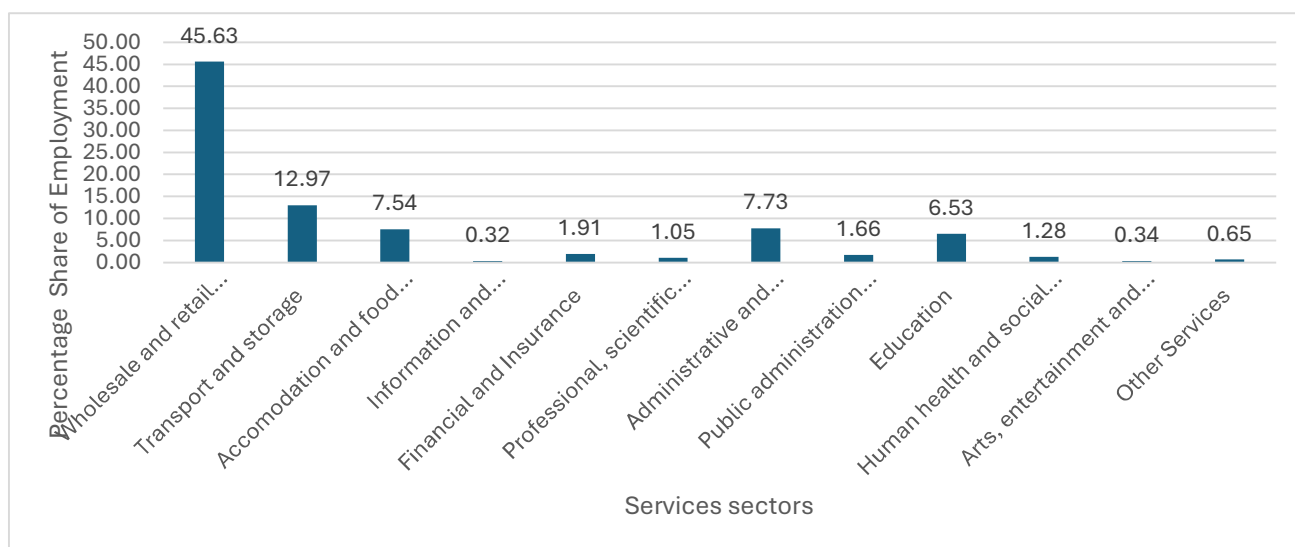
Data Source: KCHS 2021

In the wholesale and retail trade, and repair of motor vehicle sector, the majority work in the retail of food, beverages, and tobacco products as seen below in Figure 16. This indicates linkages with the agriculture and manufacturing sectors as they serve as an intermedairy between the sectors and the consumers.

Figure 16 : Percentage of persons employed in the wholesale and retail trade; repair of motor vehicle sub-sectors
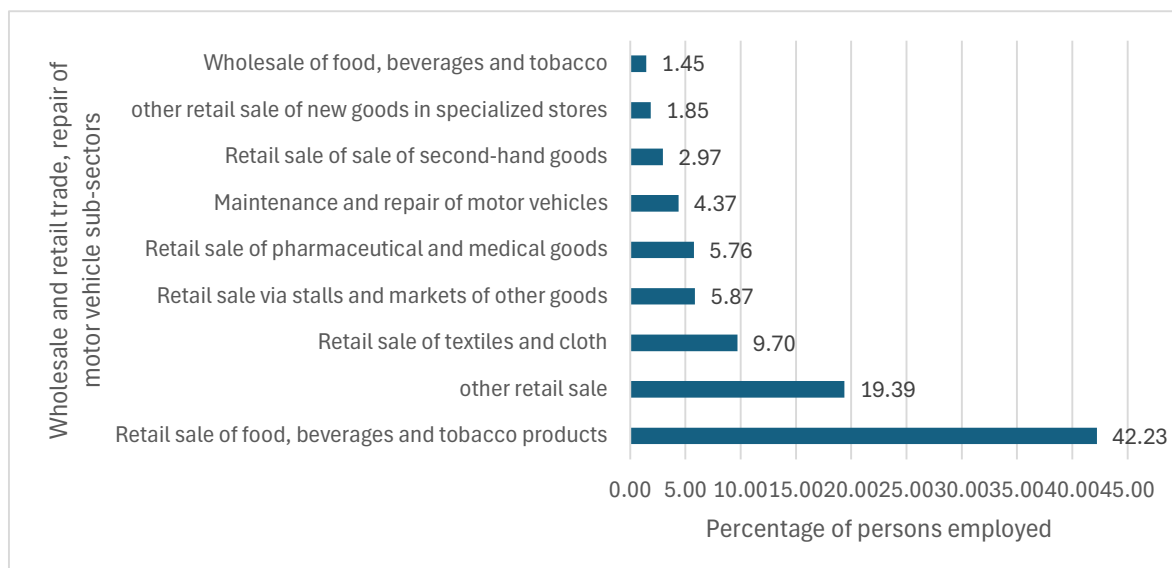
Data Source: KCHS 2021

In the transport and storage sector, the majority of those employed are in land transport of passengers by urban or suburban transport systems as observed in Figure 17 below. The transport in and out of Kisumu city from the rural areas of the county and outside the county shows significant employment in the county.

*Figure 17 : Percentage share of employment in the transport and storage sub-sectors.*
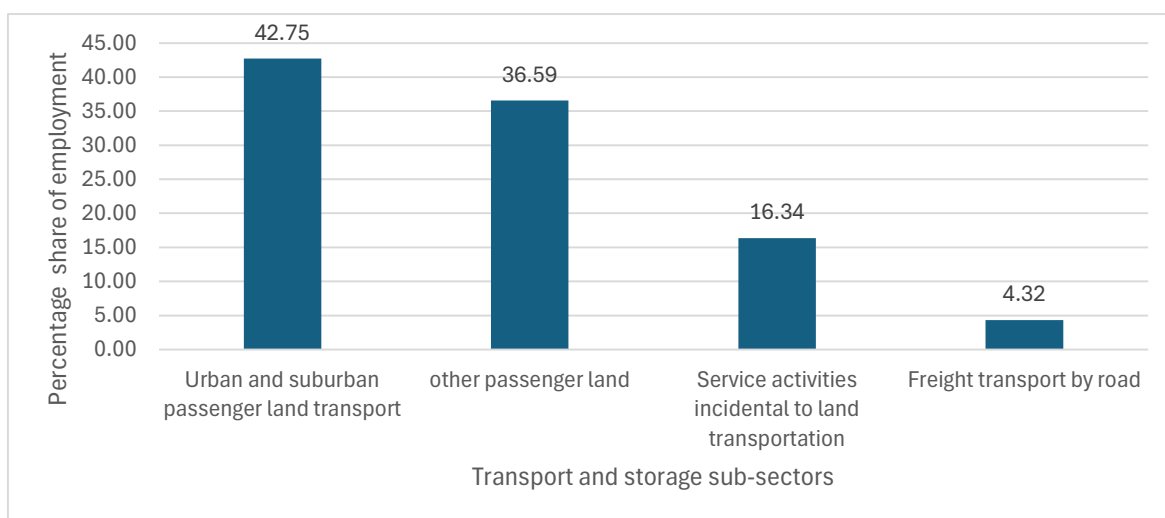
Data Source: KCHS 2021

Labour Productivity

Labour productivity for Kisumu County is 0.52 per cent which is higher than the national average labour productivity of 0.35 per cent as shown in Figure 18. This can be explained by the concentration of employment in the services sector which also has a higher share of county GVA.
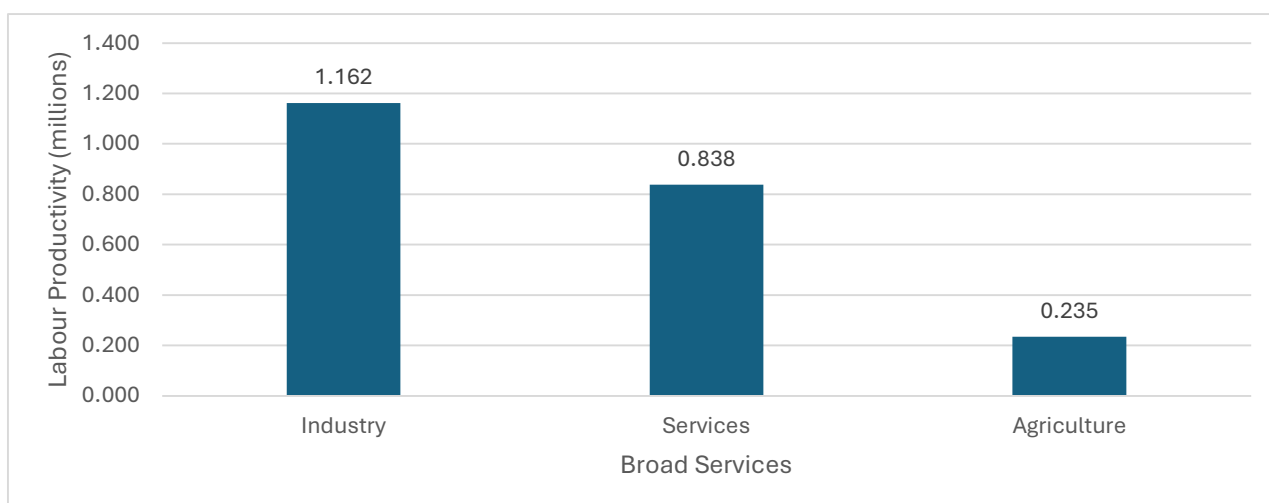
Figure 18 : Labour productivity ratios (Millions)
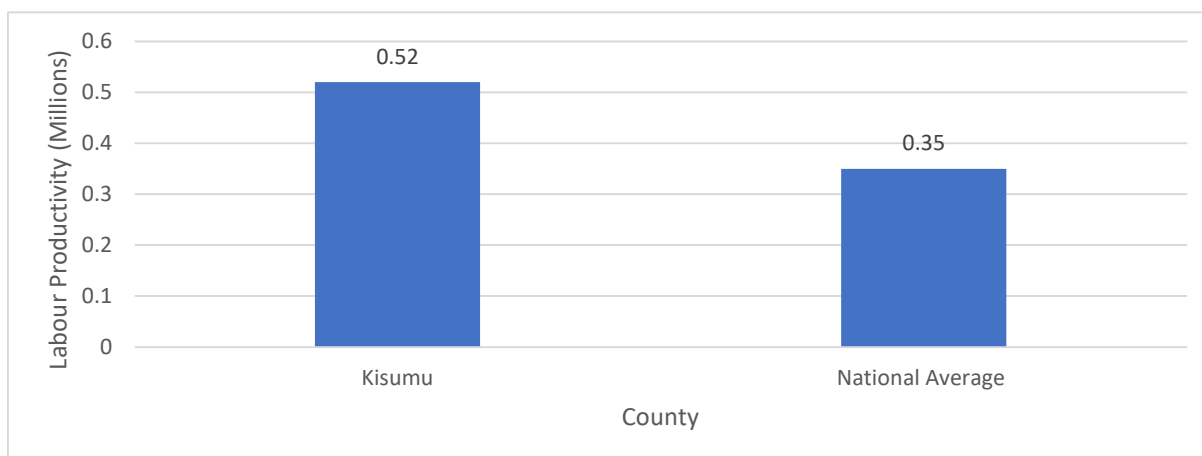
Data Source: Author's computation using KNBS GCP 2023 and KCHS 2021 data.

In Kisumu County the industry sector has the highest labour productivity, the services sector follows while agriculture had the lowest labour productivity as shown in Figure 19 below.

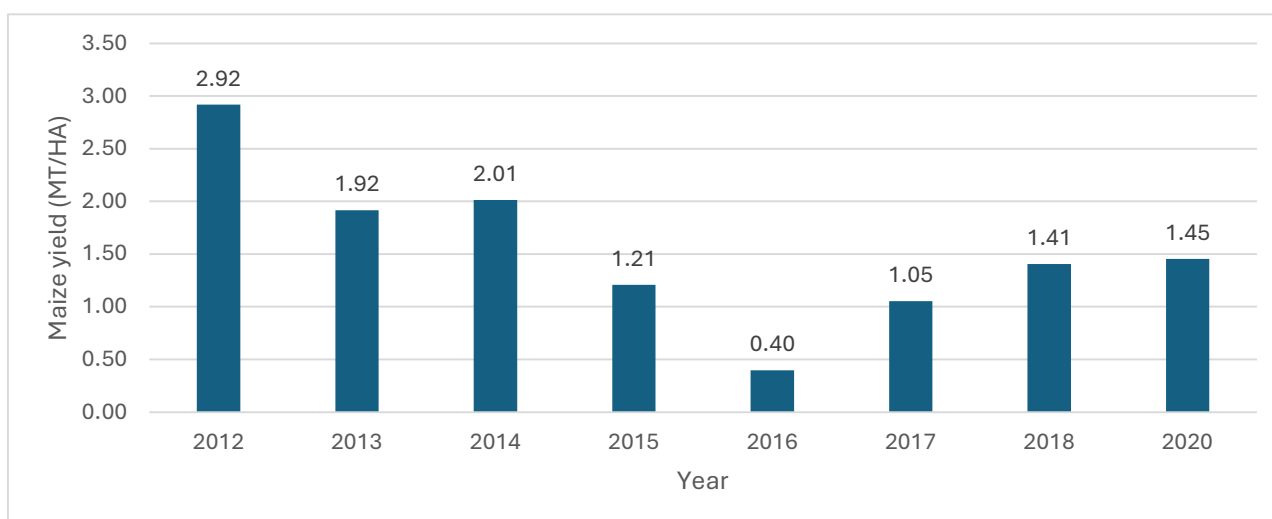*Figure 19 : Labour productivity by sectors.*

Data Source: Author's computation using KNBS GCP 2023 and KCHS 2021 data.

Agriculture Productivity

In agriculture maize productivity has been decreasing over the years despite the increase in the hectarage of maize harvested. The highest decline was in 2016 which is attributable to the fall armyworm invasion that reduced maize yield as shown in Figure 20.

Figure 20: Maize yield (MT/HA)

Industry Sector labour productivity

Mining and manufacturing sectors had the highest labour productivity in the industry broad sector as shown in Figure 21 below. Electricity supply has the lowest labour productivity despite the county producing electricity through Sondu Miriu Hydroelectric Power Station and various solar power energy production plants.

*Figure 21 : Labour productivity by Industry sectors.*
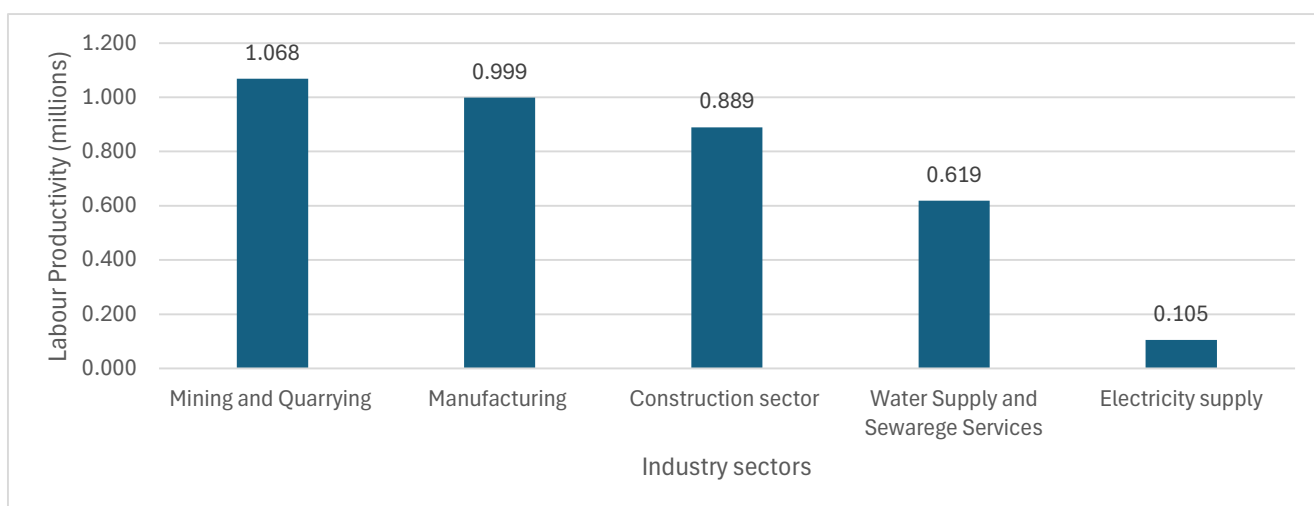
Data Source: Author's computation using KNBS GCP 2023 and KCHS 2021 data.

Services sector labour productivity

The information and communication sub-sector relatively higher labour productivity when compared with other sub-sectors within the services sector. The wholesale and retail trade sector which had the highest employment in the services sector had the second lowest labour productivity as observed in Figure 22.

Figure 22: Labour productivity in services sectors
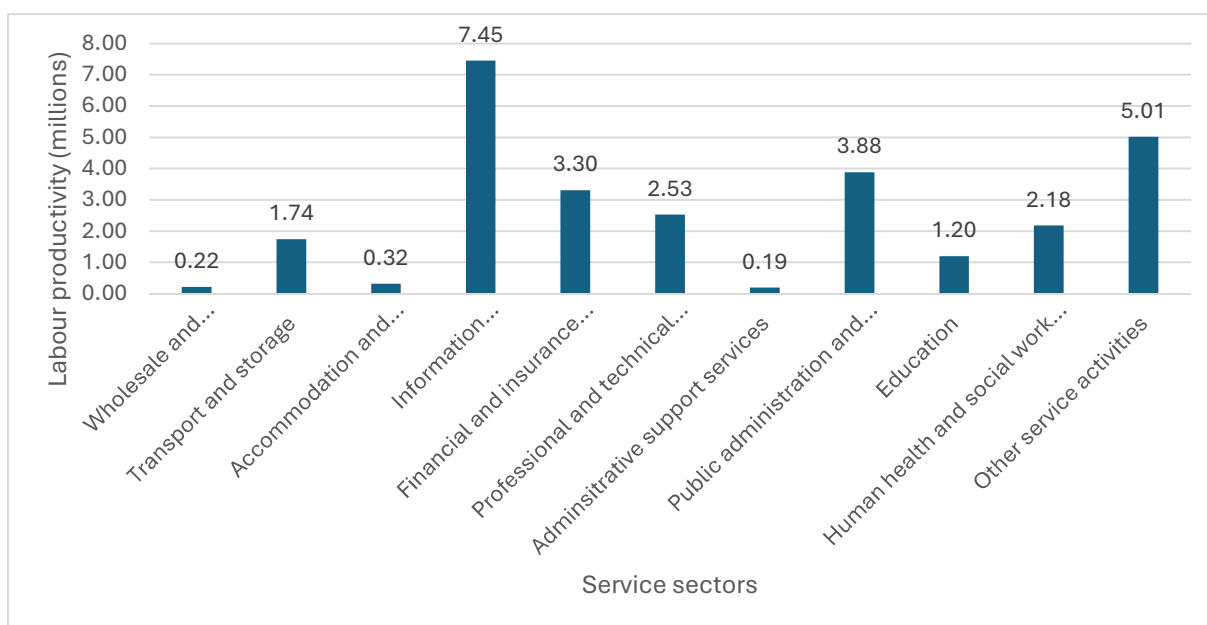
Data Source: Author's computation using KNBS GCP 2023 and KCHS 2021 data.

Key Messages

i. The services sector has a dominant share of GVA while agriculture is consistently below 15 per cent. In agriculture while cattle and goat for meat dominate, milk production has the highest share of livestock products. Apiculture has a potential and poultry farming is somehow diversified. Transport and storage dominate the services sector. In industry, manufacturing is the largest dominated by food products and textile.

ii. All the indicators of quality of labour are higher than the national average. However significant effort is required to increase secondary school enrolment and reduce child poverty. This has implications on building high level skills and future labour quality that supports productivity.

iii. Most of the indicators of essential infrastructure and capital are above the national average. However, a lot of effort is required in access to electricity, internet connectivity, and housing.

iv. The services sector employs most of the workforce followed by agriculture. In services sector, employment is in the wholesale and retail trading with retail sale of food, beverages, and tobacco products dominate. In agriculture, employment is highest in crop production while in industry manufacturing dominates.

v. Labour productivity is higher than the national average. Industry sector has the highest productivity while agriculture has the lowest. In agriculture, there is potential for maize is yet to be exploited. In industrial sector, the highest productivity is in mining and quarry followed by manufacturing. In services sector, information and communication has the highest.

Policy Recommendations

i. Increase investments in the high technology manufacturing firms to absorb the high quality of labour in the county this includes by creating an enabling environment to attract both domestic and foreign direct investment. The entry of pharmaceuticals in manufacturing is a signal on the transition to high technology but linkages with other sectors especially in sourcing for raw materials must be strengthened to help improve productivity in them.

ii. Create an enabling environment for private sector growth to support in job creation. This including providing for essential infrastructure including access to electricity, and internet connectivity. Moreover, promoting housing development will catalyse employment creation. Furthermore, supporting the development of county aggregation industrial parks is key in ensuring MSMEs grow their business.

iii. Enhance agriculture productivity to even support manufacturing and services sectors. This entails exploiting emerging activities such as apiculture and poultry farming, integrating animal production to dairy and leather value chains, and supporting farmers to grow maize. In addition is cotton growing to support the textile industry.

county brief. Appreciation also goes to Fridah Njiru for the assistance in compiling data for the brief.