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## **PRESS STATEMENT ISSUED FOLLOWING THE FKE MANAGEMENT BOARD MEETING HELD ON 6TH MAY 2022**

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**Members of the Federation of Kenya Employers,  
Members of the Press,**

### **A. EMPLOYERS THREE - POINT AGENDA AHEAD OF THE GENERAL ELECTIONS**

As the **'Voice of Employers'**, FKE's key mandate is to advocate and defend the interests of employers and to push for a friendly and stable business environment guided by supportive policies and regulations.

As encountered before, each **election year** has had a ripple effect on the economic, social, and political state of our nation. With this in mind, the Federation prepared the **Employers Business Agenda 2022- 2027** to guide engagements during and after the elections. This was after an in-depth assessment of the business environment, scrutiny of the constitution, review of different political patterns and Kenya's development aspirations including the post-Covid-19 Economic Recovery Strategy.

We also analyzed the state of Kenya's economy, employment growth rate, poverty levels, and statistics of newly registered companies which guided the employers' proposals on the priority areas of focus for the government post elections.

To ensure a focused and accelerated post-Covid-19 socio-economic recovery, Employers advocate for **stable Labour Relations for productive and sustainable enterprise recovery through the promotion of;**

#### **I) Accelerated post COVID -19 socio-economic recovery**

We ask for a government that will prioritize the removal of red-tape and barriers to business operations and growth, promote value addition, value chain development, market access and supply chain development.

Further, to address the Labour market needs and create employment, a government that focusses on skills development.

And lastly on this component, a government that will develop an effective, quality, and affordable social protection system for every citizen

## **II) Predictability and stability in legislative framework and public policies**

Kenya has been praised for developing solid development plans and vilified for poor implementation of the same. Our call to the incoming government is to prioritize the full implementation of long-term national and county development plans. This will also require holding structured engagements and consultations with Employers and Government at all levels.

For the Labour sector, a comprehensive review of the Labour Laws and the Industrial Relations Charter will be paramount.

## **III) Entrenched use of social dialogue in management of the economy**

As employers, we acknowledge the special role social dialogue has played in maintaining industrial harmony in Kenya.

Employers advocate for social dialogue in the promotion of International Labor standards, policy instruments, conventions and labour relations practices in the country. To support this, the tripartite labour institutions and labour administration need to be strengthened in order to manage the sector effectively.

Lastly, **employers call upon Kenyans to desist from violence and to conduct themselves in a peaceful manner even as we lead up to this year's General Elections.** We also wish to remind our leaders to embrace dialogue in sorting out differences and to conduct peaceful campaigns.

## **B. THE IMPACT OF THE MINIMUM WAGE INCREASES ON BUSINESS SUSTAINABILITY**

During the celebrations, the President increased the statutory minimum wage by 12% effective 1<sup>st</sup> May 2022. While acknowledging the tough economic times facing all citizens, the Federation's outlook on this adjustment is that it will have an overall negative impact on cash flows and the financial positions of enterprises as follows:

- 12% direct impact on the payroll
- Higher demand for review of Collective Bargaining Agreements
- Impact on demand for General Wages review

The Kenya National Bureau of statistics released its Economic Survey for 2022 yesterday. The economic survey indicated that Agriculture, which is the backbone of our economy, and which employs majority of Kenyans especially minimum wage workers contracted by 0.2%. Raising the minimum wage by 12% is going to hit this sector hard and will likely worsen the situation.

The other sectors, except for finance and insurance sector, are just recovering from the COVID-19 pandemic.

In the medium term, as enterprises readjust their operations to meet the increased payroll costs, we expect to see an increase in redundancies, increased automation and outsourcing, and depressed hiring. The new graduates entering the labour market at all levels should be prepared for an extended period of searching for employment and remaining unemployed.

Our proposal to the government was to raise the upper limit of the lower income tax bracket from Ksh 24,000 to Ksh. 35,000 per month and increase the tax relief to Ksh. 3,500 per month. This would have had a greater positive impact in increasing people's purchasing power while cushioning enterprises.

It is important to analyze the key fundamentals in the economy before wages and other parameters in the labour market are reviewed. These include economic growth; state of enterprises; state of labour and employment levels. As a win-win solution, recognizing the fragile state of the economy and the high cost of living, is what is needed. A balanced approach to protect jobs and promote sustainability of enterprises should always be embraced.

### **C. STATE OF EMPLOYMENT**

The employment state is still very fragile. We are not yet back to Pre-Covid levels. According to the 2022 Economic Survey the number of people who were in formal private employment in 2019 is still higher than in the year 2021. Indicating that 79,000 people who were in formal private sector employment in 2019 are not yet back.

Considering that on average, private sector employment grew at an average of 3.4% per annum between 2015 – 2019, had we sustained the same pre-Covid growth our employment levels would have been at 2.3M by the end of 2021. Currently the employment is at 1.98M. Meaning that we have 320,000 persons who should have been in employment that are currently not in employment. To put this into perspective, on average a formal worker in Kenya has 5 dependents, meaning 1.6M Kenyans have no livelihood because of the pandemic challenges that employers faced.

In the forgoing, there is need to support enterprises to create employment for those who lost their jobs during the pandemic and also support the new graduands entering the labour market to get into jobs.

The same 2022 Economic survey shows that employers in Kenya have continued to support the welfare of their workers. The average wage earnings per employee in Kenya stands at Kes. **69,103 per month**, a 6.3% increment from the 2019 wages. In the agriculture sector, the average wage per employee stands at Kes. 31, 469 per month being a 2.2% increment from the 2019 wages.

So, even in the hard economic situation employers have always tried their best to remunerate and take care of their workers. The challenge we face is falling productivity that reduces the employer's financial capability to create jobs and also pay higher wages. If we want workers in Kenya to earn higher than what they earn today, we need to focus on improving the productivity, resilience and competitiveness of our enterprises.

Thank you and God Bless.

**DR. HABIL OLAKA**  
**NATIONAL PRESIDENT**

**MRS. JACQUELINE MUGO,**  
**EXECUTIVE DIRECTOR & CEO**

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