MINISTRY OF LABOUR AND SOCIAL PROTECTION
OFFICE OF THE CABINET SECRETARY

STATEMENT BY MR. SIMON K. CHELUGUI,
E.G.H., CABINET SECRETARY, MINISTRY OF
LABOUR AND SOCIAL PROTECTION

ON

LABOUR SECTOR RESPONSE TO THE COVID-19
PANDEMIC

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1.0 INTRODUCTION

1.1 The World Economy

COVID-19 is fast emerging as the biggest threat to the global economy since the financial crisis of 2008. The International Labour Organization (ILO) estimates that the economic and labour crisis created by the COVID-19 pandemic could increase global unemployment by almost 25 million people. The fall in employment will lead to loss of income of between USD 860 billion and USD 3.4 trillion by the end of 2020. This will translate into falls in consumption of goods and services, in turn affecting prospects for businesses and economies.

Certain groups will be disproportionately affected by the crisis, which could increase inequality. These include people in less protected and low-paid jobs, particularly youth, women, older workers and migrants. The ILO estimates that 58.6 per cent of employed women work in the service sector which is one of the most severely affected sectors around the world. Unprotected workers, including the self-employed, casuals and gig workers are likely to be disproportionally hit by the virus too as they do not have access to paid or sick leave mechanisms. They are also less protected by conventional social protection mechanisms and other forms of income smoothing. Migrant workers are particularly vulnerable to the impact of the COVID-19 crisis, which will constrain both their ability to access their places of work in destination countries and/or return to their families in their home countries.

1.2 The Kenyan Economy

Kenya’s economy has been on an upward growth trajectory up to 2018 with the Gross Domestic Product (GDP) having improved from KShs 4.5 trillion in 2017 to approximately KShs 4.8 trillion in 2018. This represented an economic growth of 6.3%. The projected economic growth in 2019 is 5.8% and 6.1% by December 2020. The unfolding events associated with the COVID-19 global pandemic will certainly reverse these gains in 2020 and beyond depending on its intensity. The economic growth in 2020 has already been preliminarily revised downwards to 3.6% in the worst-case scenario.

Total employment in the country in 2018 was recorded as 17.9 million comprising 14.9 million workers in the informal sector and 2.9 million in the formal sector. The formal sector employment grew by 4.1% while the informal sector growth grew by 5.7% in the same year. This scenario is likely to change with the onset of COVID-19 where 647,4 thousand casual
labourers/temporary workers in the formal sector are likely to lose their jobs in addition to those in regular employment and informal sector.

2.0 IMPACT OF COVID-19 ON KEY SECTORS OF THE ECONOMY

The Government recognizes that the COVID-19 pandemic will have far reaching economic implications on both employers and workers. Key sectors of the economy such as tourism, hospitality, horticulture and transport, particularly the aviation industry, which are all major contributors to both employment and economic performance of the country, are reeling from effects of cancellations as a result of the COVID-19 pandemic. There is therefore need for concerted efforts among stakeholders to mitigate the effects of this pandemic. It is important to keep an eye on the economy as we tackle this health crisis. An analysis of the impact of the pandemic on key sectors of the economy is detailed below:

2.1 Tourism Sector

The Tourism sector is among Kenya’s highest foreign exchange earners, having climbed in the recent two years to become Kenya’s second highest foreign exchange earner after remittances from the Diaspora. The sector contributed 8.8% of the GDP and employed approximately 1.1 million people in 2018. In 2019, the sector generated US$ 1.67 billion. Following the outbreak of the COVID-19, the sector’s recovery and growth will be negatively affected due to unprecedented grounding of aircrafts, cancellation of flights from Kenya’s source markets such as USA, UK, India, China Germany, France, Italy, South Africa, and cancellation and postponement of hotel bookings. Restricted movement of Kenyans has also affected domestic tourism.

2.2 Manufacturing Sector

The Manufacturing Sector contributed 7.4% of the GDP in 2019 and employed 307.6 thousand persons in the formal sector in 2018. The Sector has been on a gradual downward trend in its contribution to GDP in the past five years reducing from 10% in 2014 to 7.4% in 2019. In addition, there has been a gradual decline in the growth of the sector from 2.9% to 1.4% over the same period. The contribution and growth are expected to decline further in 2020 with the onset of the COVID-19 pandemic due to disruptions in the supply chain such as shortage of raw materials leading to an increase in their cost, reduced export volumes, and a rise in logistics costs due to an increase in lead time. This will have a negative impact on jobs in this sector.
2.3 Agriculture Sector

The Agriculture Sector is the lead contributor to the growth of the economy and accounted for 34.1% of GDP in 2019. The total formal employment in the sector was 336.6 thousand in 2018 accounting for 12.2% of formal sector employment in the country. Kenya’s horticulture and floriculture exports have declined due to shutdowns of transport and reduced demand in target markets. The COVID-19 pandemic will greatly affect these sub-sectors, which are export-oriented and is likely to lead to job losses since these are also labour-intensive sub-sectors.

2.4 Transport Sector

The Transport sector employment was 90.6 thousand in 2018. This was the fastest growing sector with its share of contribution to GDP being 8.4% in 2018. With travel restrictions and quarantines, the demand for transport services both for passengers and cargo has declined thus significantly reducing the country’s earnings from transport services and leading to possible job loss.

2.5 Wholesale and Retail Trade

The sector contributed 7.3% of GDP in 2019 and employed 260.4 thousand in the formal sector in 2018, majority of who are in Small and Medium Enterprises (SMEs). Most informal sector operators in the country are in retail trade. The pandemic will adversely affect this sector because of over-reliance on imports from China which is one of the country’s most severely affected by the COVID-19 pandemic. This is likely to lead to loss of livelihoods for operators within the sector.

2.6 Diaspora Employment

In 2019, remittances from migrant workers was US$ 2.9 Billion which contributed to foreign exchange stability. The COVID-19 pandemic is likely to affect this. Remittances from in the Diaspora are at risk given that workers in key destination countries such as the United Kingdom, USA and the Gulf Cooperation Council (GCC) are facing economic disruption due to the pandemic.

3.0 PROPOSED MITIGATING MEASURES

Social dialogue in Kenya exists as a tripartite process between the Government, Employers and Workers organizations; and a bipartite relation between trade unions and employers’ organizations.
The Government has put forward the following practical measures aimed at supporting local businesses and workers in sectors that will be worst hit by the COVID-19 pandemic, hence, cushioning the economy from the adverse effects of the COVID-19 pandemic.

- Suspension of negotiation of all new Collective Bargaining Agreements (CBAs) including those that are currently under negotiation for a period of 12 months. This covers CBAs that are coming to an end during this period of pandemic.

- Freezing wage increments in the next 12 months. The country is dealing with recovery of jobs as opposed to hiking of salaries.

- If need be, annual leave and unpaid leave can be put into consideration as a stop-gap measure or send staff all staff with outstanding leave days on leave immediately. Unpaid leave should only be considered through mutual agreements.

- Enterprises are encouraged to create mechanisms that allow workers to work from home, work in shifts and leverage on the use of technology.

- Workers and employers, including their representatives to engage in discussions on possible temporary review of salaries and wages in the COVID-19 pandemic phase.

- Workers, employers and their associations to embrace social dialogue and Alternative Dispute Resolution (ADR) framework in settlement of labour and employment related disputes as opposed to court litigations.

- Consider future employment insurance fund to cushion workers who lose their jobs through calamity situations beyond control.

- Maintain the social assistance to the 1.2 million Kenyans under the *Inua Jamii* Cash Transfer programmes under the Ministry – Older Persons Cash Transfer (OPCT), Cash Transfer for Orphans and Vulnerable Children (CT-OVC) and Persons With Severe Disabilities Cash Transfer (PWSD-CT). A total of KShs. 26 Billion is spent annually on cash transfers under these programmes. An additional KShs. 4 Billion is required to bring additional vulnerable persons under the programme.

Further, the Government is in the process of working out modalities for the following intervention to mitigate the effect of the COVID-19:
• Stimulating the economy and employment – Expansionary fiscal and monetary policy measures, and lending and financial support for specific economic sectors

• Supporting jobs and incomes - Supporting employment retention, and financial and tax relief, including for micro, small and medium-sized enterprises

• Protecting the worker in the workplace - Including extending social protection

Following various consultations with other ministries, employers and workers, a fiscal stimulus package will be put in place to address those who are likely to be most affected by the pandemic.

4.0 Guidelines on mitigation of the effects of the COVID-19 pandemic at Workplaces

The employers in collaboration with the workers are expected to:

i. Identify critical services which must continue and take all necessary precautionary measures to safeguard from exposure.

ii. Assess the risk of exposure with respect to every work activity and put in place necessary mitigation measures.

iii. Allow absenteeism when a worker shows symptoms of COVID-19 or is caring for someone who has or is suspected to have the symptoms (coughing, difficulty in breathing, high fever).

iv. As guided by Public Health department; develop Infection Control Plans, practice workplace hygiene and Promote prompt reporting of suspected cases

v. For workers who may be infected or affected by the COVID-19 and require to stay at home, self-quarantine or hospitalization as may be appropriate, employers are encouraged to treat the workers in a humane manner and not to discriminate against them but provide them with the necessary support to enable them recover and resume work.

vi. Mitigation of the effects on workers who are vulnerable especially those at the frontline of service delivery, including those in the medical, security and transport sectors. Envisaged changes in the Work Injury Benefits Bill 2020 seek to establish a work injury fund which
shall effectively mitigate this while similarly cushioning businesses from directly incurring this cost.

The COVID-19 pandemic is not only a health crisis but also an economic, social, political and cultural crisis. It is what we do that will determine our success during and after the pandemic. We have to plan as guided primarily by the Ministry of Health to prepare, respond and mitigate while looking ahead. The Ministry of Health has instituted measures to arrest further spread of the virus.

Finally, let us acknowledge that we have a crisis with implications beyond the health sector only. Labour, employment and social protection will be one of the sectors worst affected by the COVID-19 pandemic. I would like to urge all workplaces to remain calm and avoid panicking, adhere to proven mitigating measures and be your brother’s keeper. Remember, tough times don’t last, only tough people do. As a country, we have faced other challenges and overcome, and with God’s grace, we will overcome this too.

Thank You