



Availability of Technical Skills in Kenya Clothing Industry and Its Implications on Competitiveness in the Post-MFA Era

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Clothing Industry in Kenya



- * Prospect for Export Diversification
- * Labour Intensive (low skills) – Female workers dominance
- * EPZ firms alone employed – 23,000 in 2010
- * EPZ – Foreign Direct Investments
- * Foreign Exchange Earnings
- * Policies: **EPZ 1990, AGOA 2001, MFA Termination 2005**
- * Technological transfer for industrialization
- * Experience of Asian Economies (labour intensive manufacturing)



Clothing Industry in Kenya



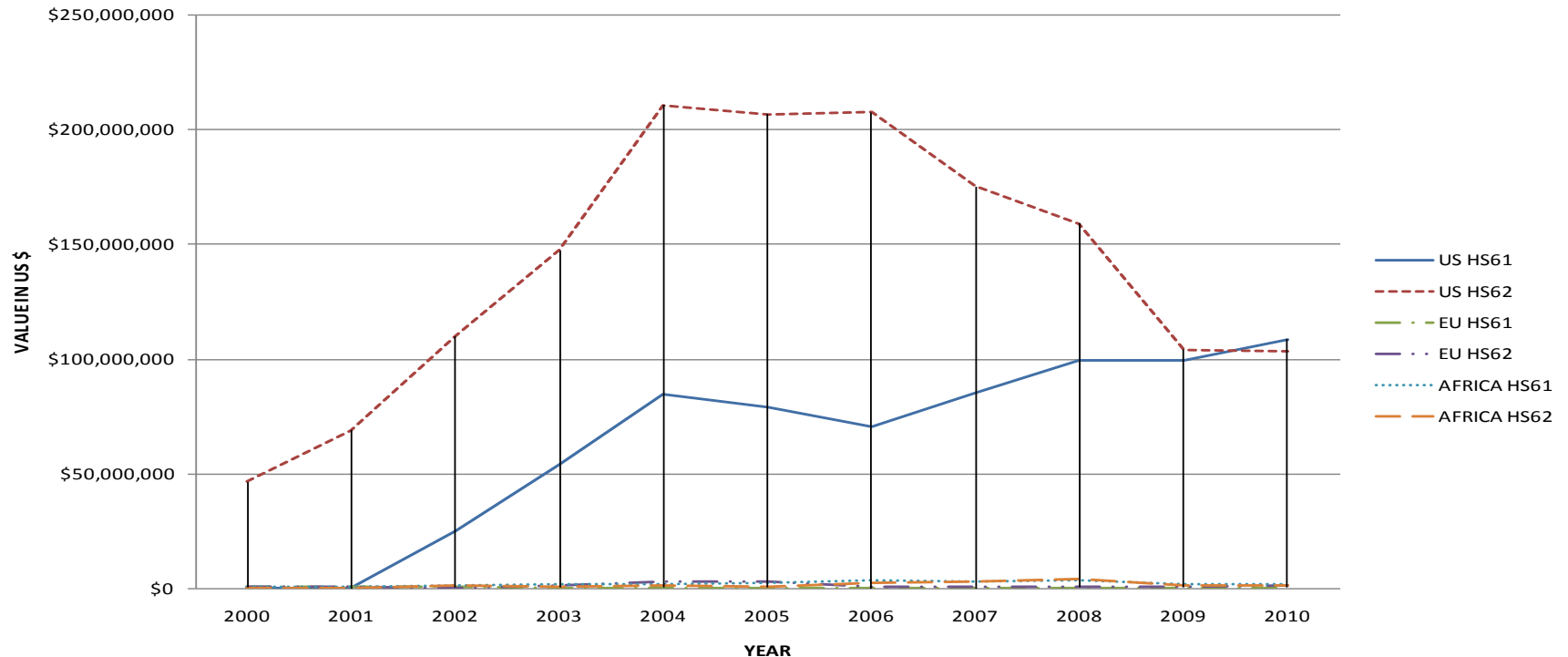
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Number of Enterprises | 6 | 17 | 30 | 35 | 30 | 25 | 25 | 22 | 18 | 19 | 17 |
| Employment (No.) | 5,565 | 12,002 | 25,288 | 36,348 | 34,614 | 34,234 | 31,813 | 28,506 | 25,766 | 24,359 | 23,815 |
| Investment (US\$ million) | 16 | 48 | 88 | 128 | 108 | 132 | 149 | 133 | 98 | 72 | 79 |
| Exports (US\$ million) | 30 | 55 | 104 | 146 | 222 | 194 | 215 | 220 | 203 | 168 | 204 |
| Quantity of exports (million pieces) | 12.6 | 15.7 | 28.0 | 42.8 | 56.3 | 50.0 | 46.3 | 59.6 | 67.9 | 58.1 | 56.7 |
| Imports (US\$ million) | 31 | 62 | 72 | 94 | 126 | 114 | 111 | 135 | 118 | 85 | 81 |
| Annual average exchange rate (Kshs/US \$) | 76.2 | 78.6 | 78.7 | 75.9 | 79.3 | 75.6 | 69.4 | 62.7 | 77.7 | 75.8 | 78.8 |



Kenya Export of Clothing



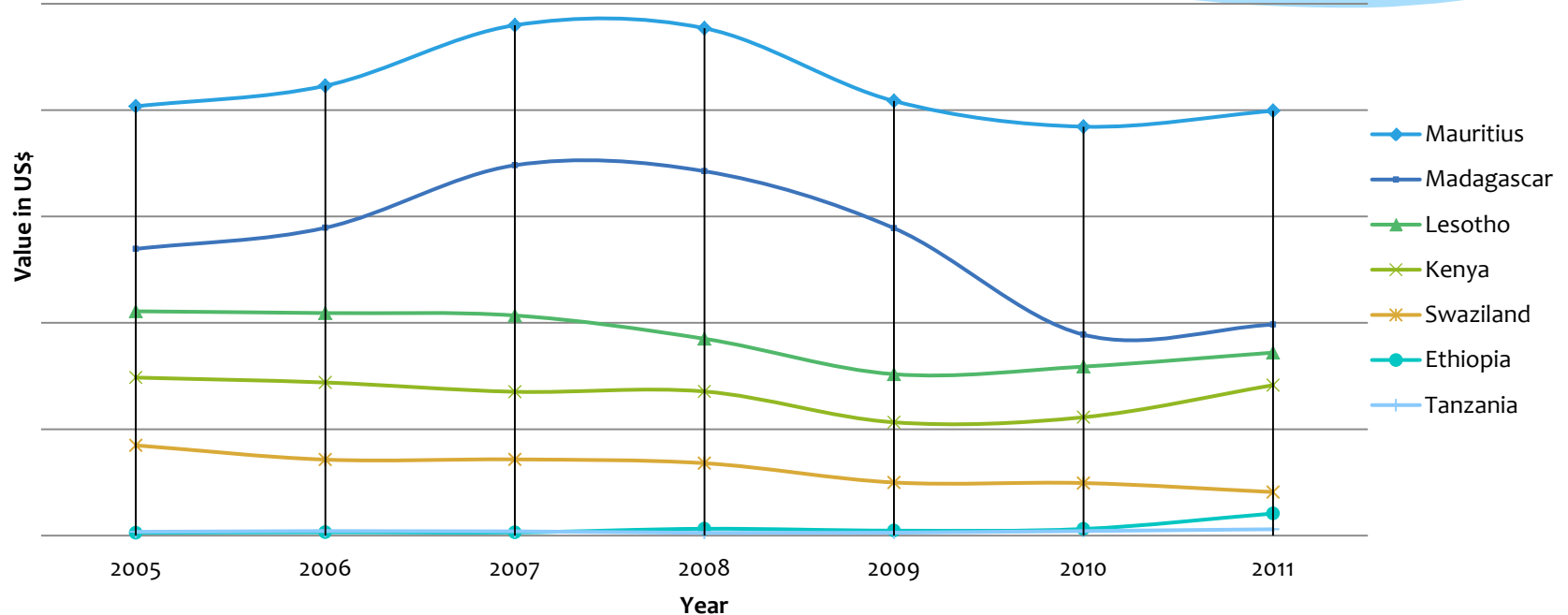
Figure 2.3 - KENYA TRENDS



1. Dominance of knit garments (HS62)
2. US Market dominance
3. Competition from Chinese export



Post MFA Exports of Apparel (HS61 and HS62) to the World (US Millions)





Post-MFA Stabilisation



1. Post MFA

- Multi-Fibre Arrangement (MFA): set of international trade rules that governed textile & clothing industry from 1974-2004
- Allowed importing countries to impose quotas on clothing & textile exporters
- Quotas generally favoured smaller exporters

2. Competitiveness in Post-MFA

- Ability to maintain level of clothing exports after MFA expiration on 1 January 2005

3. Preferences (AGOA) not Enough

- Dependence on the US market (85% of all exports)
- Dominance of HS 62 (Knitted) vs. HS 61 (Woven)



Research Issue



- * Employment opportunities high but low skills
- * Most Kenyans in Helpers, Machine operators, and to some extent – supervisors
- * Labour is key for competitiveness (Raw materials)
- * Technical and Managerial staff – Expatriate
- * Low technical skills (training, technological transfer)
- * Rise of China – Complementary & Competitive effects
- * **What does this mean for competitiveness and sustainability of the clothing industry?**



Objectives



1. **Examine the structure and size of employment in the industry**
2. **Analyse the composition of technical workers**
3. **Assess the nature of training for clothing technical skills in Kenya**
4. **Suggest ways to enhance training of local technical skills in Kenya**



Theoretical Framework



- * Global Value Chain Analysis (GVC) – Gereffi et al (1994, 2001, 2005)
- * How changes in industrial organizations affect the upgrading potential of firms, regions & countries
- * Upgrading has connection to competitiveness
- * Upgrading (product, functions & process)
- * Governance – Buyer Driven value chain
- * GVC is silent on skills & capability development for competitiveness/upgrading -
- * **There is need for integration of labour issues in GVC (Ramirez & Rainbird 2011)**



Methodology



* Fieldwork

- * Jan 2010 – April 2011
- * Part of ACFRN Research
- * Harmonized Questionnaire
- * Case Studies
- * UN COMTRADE
- * Exporting firms
- * Data Analysis – Descriptive statistics

| Category of Firms | Target | Contacted | Completed | Declined |
|---------------------|--------|-----------|-----------|----------|
| EPZ Firms | 16 | 16 | 12 | 4 |
| Non EPZ (Exporting) | 18 | 15 | 4 | 11 |
| Total | 34 | 31 | 16 | 15 |



FINDINGS



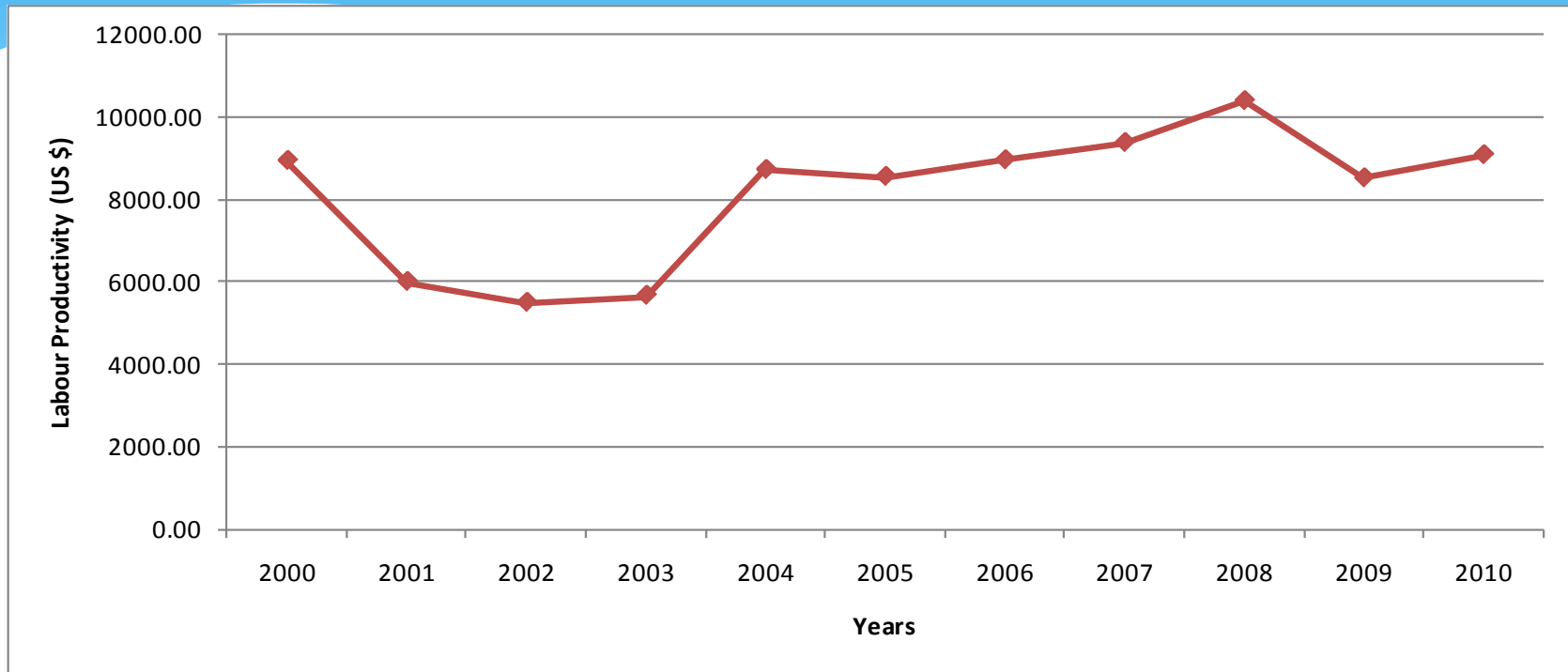
Firm Characteristics



- * **Location** – Nairobi, Mombasa
- * **Age** – mean 11 years – young,
 - * 2004 – 2008 only 1 firm established
 - * 2001 -2003 – 9 firms established
- * **Firm Size** – mean 1218
 - * Female dominance mean 853 vs 365 (male)
- * **Low expatriate workers** – mean 22 (technical staff)
- * **Low expenditure on training and not in production**



Labour Productivity



Average Productivity (2000-2010) is US\$ 8,155



Gender Analysis of Workers in Clothing Industry



| Country | No. | No. of Employees | % Female |
|--------------|-----------|------------------|-------------|
| Ethiopia | 7 | 3,128 | 43.1 |
| Kenya | 16 | 19,629 | 68.7 |
| Lesotho | 19 | 21,791 | 69.2 |
| Madagascar | 18 | 19,569 | 70.3 |
| Mauritius | 20 | 16,096 | 50.0 |
| Swaziland | 6 | 4,537 | 84.6 |
| Total | 87 | 84,679 | 56.8 |

Mean work force is 1,222 in Kenya



Gender Analysis of Workers in Clothing Industry



| Number of Workers | Total | % Male | % Female |
|--------------------------|---------------|---------------|-----------------|
| Helpers | 4,973 | 34.3 | 65.7 |
| Operators | 12,316 | 23.0 | 77.0 |
| Supervisors | 1,667 | 68.3 | 31.7 |
| Technical | 357 | 80.7 | 19.3 |
| Administration | 751 | 50.6 | 49.4 |
| Management | 245 | 78.0 | 22.0 |
| Total | 19,629 | 31.3 | 68.7 |

Helpers include those workers in Fabric checking, end of line checkers, packing, pressing and those who assist in moving garments from one operator to another – Assembly line



Expatriate Workers



| Indicator | Total | Management | Technical | Operators |
|--------------------|-------|------------|-----------|-----------|
| No. of Firms | 14 | 9 | 8 | 3 |
| No. of Expatriates | 348 | 60 | 262 | 26 |
| Mean | 22 | 4 | 16 | 2 |
| Standard Deviation | 23 | 3 | 20 | 5 |
| Minimum | 1 | 1 | 1 | 2 |
| Maximum | 80 | 8 | 72 | 20 |

Total – 348 Expatriate workers

85% of them are technical workers

Management – 10%

Machine Operations – 5 %



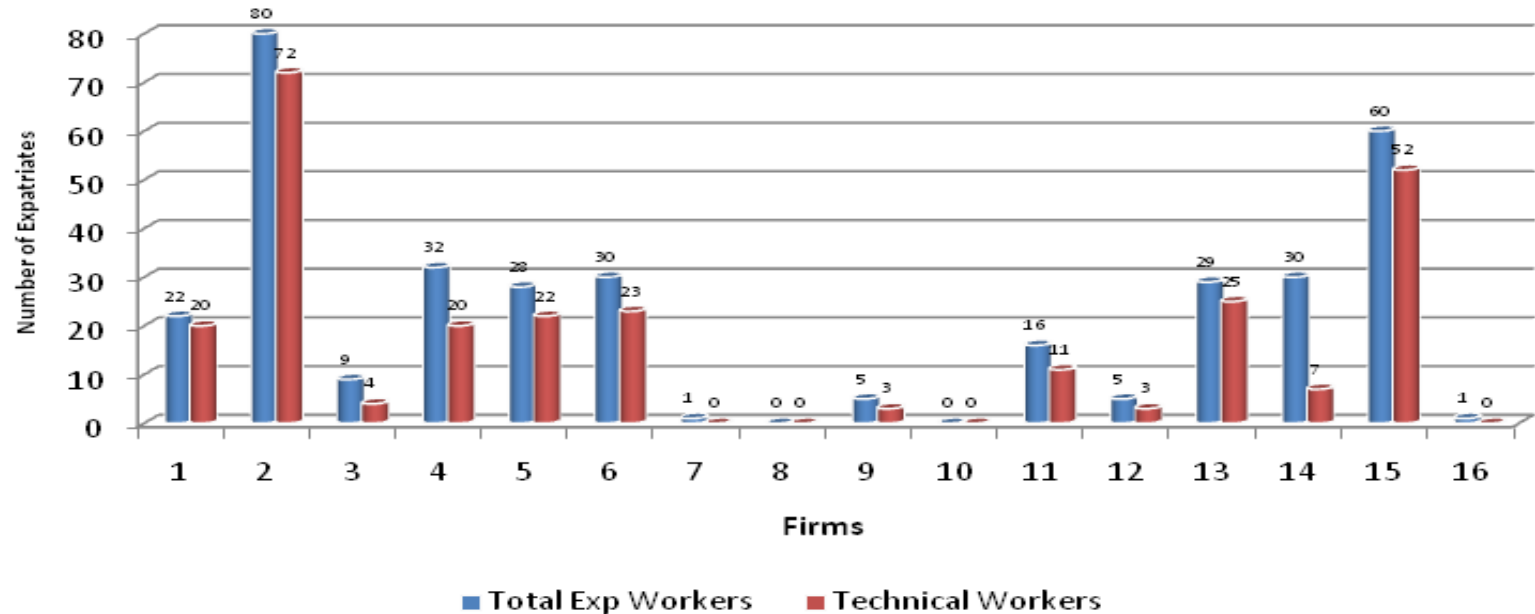
Expatriate Workers in ACFRN Countries



| | Country | Proportion of Expatriate in Technical Category |
|---|------------|--|
| 1 | Ethiopia | 4.9 % |
| 2 | Kenya | 53.1% |
| 3 | Lesotho | 83.2 % |
| 4 | Madagascar | 61.5% |
| 5 | Swaziland | 91.9 % |
| 6 | Mauritius | N/A |



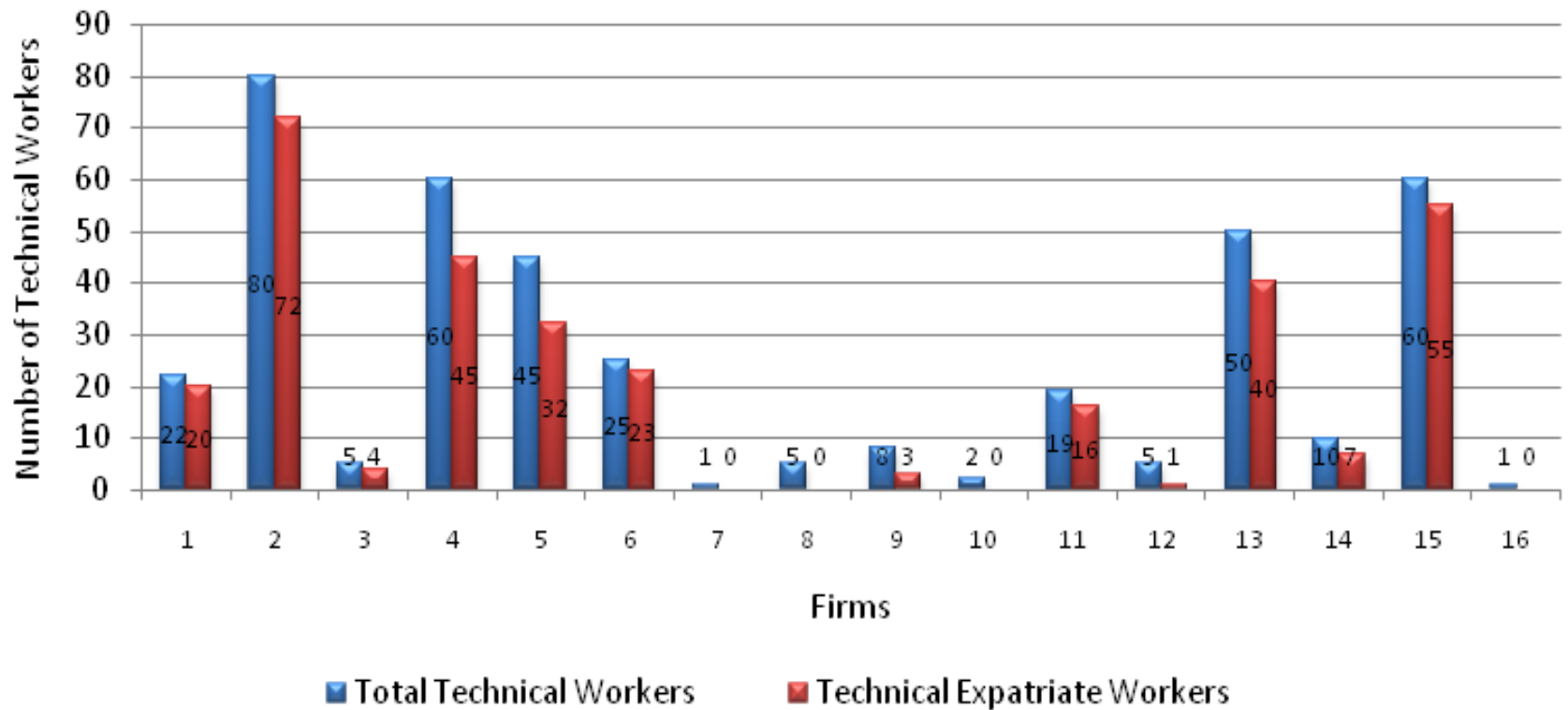
Proportion of Technical Expatriate Workers



Most of the expatriate workers are in technical skills category



Technical Expatriate Workers





Training in the Industry



1. Low expenditure on Training in the industry
2. Training not in production activities
3. Training Levy by Government not used by the industry
4. Firms think it is the government to train for the industry



Training Curriculum



Universities

1. Textile Engineering
2. Fashion & Design

Polytechnics

1. Textile apprenticeships

Vocational Training (short courses)

1. Tailoring
2. Machine operations

Most university graduates do not work for the industry



Conclusion



1. Employment opportunities/potential in the sector is high
2. Female Dominance is critical for the poverty reduction strategy – manufacturing sector – 68%
3. Low expatriate workforce (7%) dominance in technical skills (53%)
4. Shortage of local technical workers
5. Sourcing locally trained skills is a challenge for clothing firms
6. Firms expenditure on training is low – Training levy??
7. Mismatch in Training – Universities, colleges, polytechnics



Recommendations



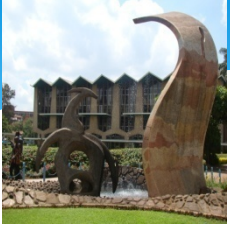
1. Skills mismatch – Industry needs and training
2. Curriculum development and review
3. Partnerships among industry, training institutions and government
4. Need to improve the use of training levy – for technical skills development



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