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# Unlocking Kenya's Youth Dividend through an Appropriate Policy Agenda:

## Insights from the Africa Youth Employment Outlook 2026

## Executive Summary

Africa's youth population is expanding faster than any other region globally. At the same time, labour markets remain dominated by informality, vulnerable employment, and low productivity work. Kenya mirrors many of these continental dynamics: high youth participation in informal work, persistent working poverty, uneven access to quality education and training, and widening gender disparities in labour force participation.

The Africa Youth Employment Outlook 2026 (AYEO 2026) presents an important finding for Kenya's long-term development trajectory predicting that by 2029, services are projected to overtake agriculture as the primary employer of young people in Kenya. However, rapid expansion of services alone will not automatically generate prosperity. Kenya therefore faces a dual challenge of creating more jobs while simultaneously improving job quality and productivity.

This policy brief proposes five interventions aligned with the BETA Plan. If effectively implemented, Kenya can transform its youth bulge into an engine of inclusive growth, regional competitiveness, and social stability.

## Why This Matters for Policy

Kenya has one of Africa's youngest populations, with youth constituting the largest share of the labour force. While the country has consistently positioned itself as East Africa's innovation and services hub, the structure of employment remains heavily informal and unequal.

### Trends and critical realities

The Africa Youth Employment Outlook 2026 identifies several trends highly relevant to Kenya:

- Youth employment across Africa remains overwhelmingly informal.
- One-third of employed African youth still live in extreme poverty.
- Services are growing faster than agriculture and industry.
- Urbanisation is accelerating youth migration toward cities.
- Young women remain disproportionately excluded from productive employment.
- Skills mismatches are limiting transition into higher-productivity sectors.

For Kenya specifically, the report identifies three critical realities:

**a) Kenya is transitioning from agriculture to services**

Kenya is projected to transition from agriculture to services as the main employer of youth by 2029. This is significant because services generally provide higher earnings and higher rates of formalisation compared to agriculture. Yet Kenya's services sector is highly uneven. While finance, ICT, logistics, and professional services are growing rapidly, the majority of young people entering services remain concentrated in low-productivity informal trade, boda boda transport, hospitality, domestic work, and retail. Without deliberate policy intervention, Kenya risks creating a large urban informal workforce rather than a productive middle-income economy.

### b) High employment does not equal decent work

AYEO 2026 notes that approximately 35% of employed youth in Kenya still live below the international poverty line despite being economically active. This reflects the "working poverty paradox" where employment exists, but incomes remain insufficient. This is visible in Kenya's Informal settlements around Nairobi, Kisumu, Eldoret, Nakuru, and Mombasa. It is also visible in the expansion of precarious gig work, underemployment among university graduates and declining returns to low-skilled labour. The challenge for Kenya is therefore not only unemployment, but low-productivity employment.

### c) Gender inequality remains structural

Young women continue to face disproportionate barriers to employment due to unpaid care responsibilities, limited access to finance, digital exclusion, safety concerns, land ownership inequalities, and early pregnancies and school interruption. While Kenya has made progress through affirmative procurement rules and women enterprise funds, implementation gaps persist.

## 2. Strategic Policy Recommendations for Kenya

Kenya's Bottom-Up Economic Transformation Agenda (BETA) provides a strong framework for responding to these labour market transitions. The BETA pillars align closely with the structural trends identified in the AYEO 2026 and hence Kenya already has an appropriate macro-policy framework. The challenge is execution, coordination, and labour-market targeting. These can be approached as follows; -

### Recommendation 1: Build Youth Employment Through Agro-Industrial Value Chains

Kenya should move beyond subsistence agriculture toward labour-intensive agro-industrial ecosystems. Kenya can improve youth earnings by integrating agriculture with activities such as agro-processing, cold-chain logistics, food exports, packaging industries, E-commerce distribution, and climate-smart agriculture.

**Policy Actions**

- Establish county agro-processing parks.
- Expand affordable irrigation infrastructure.
- Link youth cooperatives to export markets.
- Scale warehouse receipt systems.
- Digitise agricultural extension services.
- Expand youth-focused agri-credit through blended finance.

***Expected Outcome***

This would create employment across the value chain rather than only on farms, especially in logistics, processing, packaging, transport, and digital commerce.

### Recommendation 2: Formalise the Informal Economy Instead of Criminalising It

African economies cannot rely only on formal sector expansion because nearly 90% of youth employment remains informal. Similarly, Kenya's informal economy already drives economic survival for millions of youths through Jua kali enterprises, Boda boda transport, Small retail trade, digital freelancing, food vending and informal manufacturing. The policy goal should therefore be gradual formalisation through incentives rather than punitive regulation.

**Policy Actions**

- Introduce a Youth Enterprise Transition Framework
- Expand Social Protection for Informal Workers
- Create Digital Business IDs
- Expand Government Procurement Access

***Expected Outcome***

A gradual transition from survivalist informality toward productive small enterprise growth.

## Recommendation 3: Position Kenya as Africa's Digital Services and Remote Work Hub

AYEO 2026 identifies digital services as one of the most scalable opportunities because they face fewer infrastructure constraints than manufacturing. Kenya already possesses competitive advantages including strong fintech ecosystem, high mobile money penetration, expanding fibre infrastructure, English-speaking workforce and growing innovation ecosystem. However, Kenya has not yet fully industrialised digital employment. Furthermore, Kenya's startups often die between prototype and scale.

**Policy Actions**

- Establish County Digital Work Hubs
- Scale Affordable Broadband
- Build a National Freelance Export Strategy
- Introduce Digital Skills Apprenticeships
- Deepen Financial Sector Capabilities

***Expected Outcome***

Kenya could become East Africa's leading exporter of digital labour and services.

## Recommendation 4: Align TVET and University Education with Labour Market Demand

The report identifies skills mismatch as a major barrier to productive employment. Kenya continues to produce graduates with limited alignment to labour market needs while technical skills shortages persist in critical areas such as Construction, Manufacturing, ICT, Renewable energy, Logistics, Agribusiness.

**Policy Actions**

- Expand Dual TVET Models
- Create County Skills Forecasting Systems
- Reform University Incentives
- Prioritise Future Skills

***Expected Outcome***

A workforce better aligned with Kenya's economic transformation agenda.

## Recommendation 5: Reduce Gender Barriers to Economic Participation

The report shows that unpaid care work remains one of the biggest barriers preventing young women from entering the labour force. Kenya's labour market cannot achieve productivity gains while excluding a significant share of women from full economic participation.

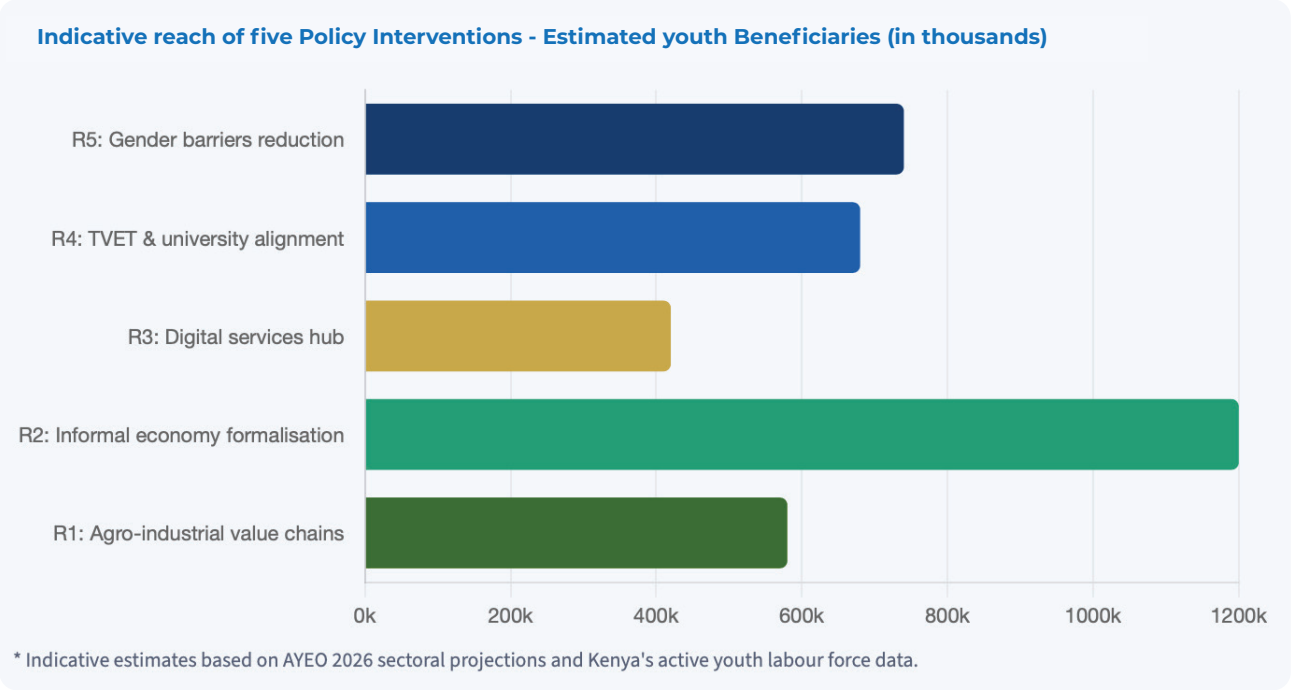
**Policy Actions**

- Expand Affordable Childcare
- Strengthen Women's Access to Assets
- Protect Young Mothers from School Exclusion
- Expand Women in STEM Programs

***Expected Outcome***

Higher labour force participation among women and stronger household income resilience.

It is all about execution and it is estimated that the five interventions could have a direct impacts in terms of beneficiaries as indicated in the following graph




## 4. Conclusion: Kenya's Demographic Window Is Narrow

Kenya has a limited window to convert demographic growth into economic transformation.

Kenya's opportunity lies in becoming:

- A regional agro-processing hub
- A continental digital services centre
- A logistics and innovation gateway
- A leader in youth enterprise formalisation
- A model for inclusive urbanisation

Failure to generate productive employment at scale risks deepening urban poverty, inequality, political frustration, and social instability.

But with coordinated implementation, Kenya can turn its youth population into its greatest economic asset rather than its greatest development pressure.

### Data and Analysis

The researcher used insights from the Africa Youth Employment Outlook Report 2026 and integrated with the Fourth Medium Term Plan (2023-2027) of the Government of Kenya

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