Hustler Nation: Jobless Youth, Millennial Angst and the Political Economy of Underachievement

By David Ndii

One out of four youths want to leave Kenya. They are disillusioned by what they see as lack of opportunities, corruption and tribalism. This is according to a recent study conducted by the British Council, titled 'Next Generation Kenya'. The study interviewed 4000 young people aged 15 – 24 across the country.

These sentiments chime with a series of reflections by millennials published by *The Elephant*, that I have found revealing and intriguing. I was particularly struck by the millennials' sense of a generational solidarity. I have no recollection of being similarly aware of such a connectedness with my age group outside my small circle of friends and professional peers. But then again, there was no internet or social media to spread generational memes. Though I have come across this demographic alphabet soup from marketers, I have until now been completely oblivious that I am a Generation X and we are responsible for all the millennial angst. I was also struck by the disconnect between the expectations and reality. Erudite though they are, the millennial writers seem unaware that they live in a poverty-stricken politically dysfunctional country in which only a very tiny minority gets a shot at living out their dreams.

Unemployment is the millennials' biggest challenge by far, cited by 67 percent of the respondents.

Dear millennials, I have news for you.

An economy with a youth bulge such as we are experiencing should be cashing in on a demographic dividend. A demographic dividend is a virtuous cycle of rising saving, investment and growth associated with transition from high to low dependency population structure. Dependency ratio, which is the proportion of children and old people for each working-age adult, tells you how many dependents each income is supporting. A high dependency ratio undermines saving and investment.

Kenya's dependency ratio has declined from a peak of 113 dependents per 100 working age adults in the early 80's to 76 per 100 today. A decline of 36 per 100 is huge in three decades. It is in fact, one of the most dramatic in history. Our youth population is well educated by any standards, tech-savvy even, and we are told that we are one of Africa's most attractive investment destinations. But far from rising, investment is trending downwards from 20 percent of GDP five years ago to 18 percent last year. This is despite Jubilee's huge infrastructure spending, meaning that private investment rate has fallen precipitously. Sixty percent of the millennials interviewed in the British Council study said they were dependents. A demographic dividend is not evident.

Demographic dividends are not assured. Reaping it is subject to other enabling factors, in particular political stability, a favourable investment climate, and the youth need to be educated (not trained, but trainable). If these factors are not there, and the requisite investment fails to materialize, a demographic transition can turn into a political nightmare. The 90s wave of civil strife in West Africa, the Zimbabwe crisis and the Arab Spring all have elements of demographic transition.

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East Asia is the "go to" place to see how to cash in on a demographic dividend. The Asian Tiger's export-led industrialization is now the stuff of legend. One of the less remarked aspects of the so called East Asian economic miracle is that it was unheralded. In those days, the leading development gurus were export pessimists. What made the East Asian leaders defy the economic wisdom of the day? There are many theories about this. My take is that they did not set out to perform miracles and become economic powerhouses. They set out to improve the lot of their people. This much one can discern by reading Lee Kwan Yew's memoir *From Third World to First: The Singapore Story*. The economic miracle was a consequence, not a goal.

Ours not so.

By their own admission, the new managers of independent Kenya saw an opportunity to get rich. They could not resist it. In 1971, the *Public Service Structure and Remuneration Commission* popularly known as the Ndegwa Commission, summed it up thus:

"The achievement of independence in Kenya has brought with it great opportunities for individual advancement both as to main careers and in other less orthodox ways. It is understandable that public servants should have taken their opportunities like other citizens but if the benefits in some cases seem out to be out of proportion with other citizens it is inevitable that questions be asked as to how this came about."

But the Commission went on to (in)famously applaud self-enrichment in public office: "There ought in theory to be no objection to the ownership of property or involvement in businesses by members of the public services to the point where their wealth is augmented perhaps substantially by such activities." Ignore the "in theory" part— it was, and still is, all practice.

In a nutshell, when East Asian leaders were asking prospective investors what they needed to do for them, ours were asking what was in it for them.

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At around the time of the Ndegwa Commission Report, a high powered ILO mission in its report *Employment, Incomes and Inequality: A strategy for increasing productive employment in Kenya* noted:

> "A search for the causes of persistent inequities and unemployment in spite of rapid growth since independence must start with the colonial situation. Kenya inherited a very lop-sided economy already organized for the effective maintenance of very different ways of life for a tiny minority on the one hand, and a very large majority on the other. Kenyanization has radically changed the racial composition of the group of people in the centre of power and many of its policies, but has had only a limited effect on the mechanisms which maintain its dominance. The power of the centre over the periphery may well be greater today than it was before."

The ILO report was the first policy document to highlight the role of the informal economy, and to recognize its potential: "The informal sector provides income-earning opportunities for a large number of people. Though it is often regarded as unproductive and stagnant, we see it as providing a wide range of low-cost, labour intensive, competitive goods and services. Not only does it provide them without the benefit of the government subsidies and support that are received by the many firms in the formal sector, but operators in the informal sector are often harassed and hampered by restrictions imposed from outside."

The advice went unheeded. As one Upton Sinclair observed many years ago, it is difficult to make a person understand something when their income depends on not understanding it. The policy makers the ILO mission was advising were the owners of subsidies and support they were dishing out to the formal sector firms.

In 2003, we wrote an economic recovery strategy that sought to engineer a paradigm shift in state policy from the "trickle down" economics of Sessional Paper No. 10 of 1965 as described above, to a "bottom up" strategy focused on raising productivity of resource poor smallholder farmers, pastoralists and the informal sector, in short, improving the lot of the people. This column has recounted on several occasions how that paradigm shift was frustrated by the so-called owners of capital culminating in restoration of trickle down economics *a la* Vision 2030.

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According to a study on dairy productivity by Tegemeo Institute, our “go-to” think tank on matters agricultural policy, our smallholder farmers obtained on average 1344 kg of milk per cow (data is for 2010 but it will suffice to illustrate). The bottom fifth (“quintile” in statistical jargon) obtained 600 kg per cow while the top fifth obtained more than three times as much, at 1,960 kg per cow. What accounts for this differential? The type of cattle is the most significant. Seventy percent of the cattle kept by farmers in the bottom were traditional breeds, while 70 percent of the cattle in the top quintile are improved breeds. Breeding cattle is not rocket science.

Increasing the average production per cow to equal the top quintiles 1,960 kg translates to an increase in milk output by two million tonnes per year, from 4.3 to 6.3 million tonnes. At Ksh. 35 per kilogramme. this translates to an additional Ksh. 70 billion shillings worth of raw milk per year. But in fact 1,960 kg per cow is quite low— it works out to only 6 kg per cow per day. Githunguri farmers, the most productive in the country do an average of 6800 kg per year, a respectable 18 kg per cow. Raising the average for all smallholders to half of that translates to close to an additional 6.5 million tonnes worth Ksh. 230 billion. These are not small numbers: Ksh 230 billion is more than Safaricom’s 2017 turnover (Ksh. 212 billion).

Productivity gaps of this kind are everywhere particularly in agriculture. Last year, we slaughtered 2.6 million cattle. The average carcass weight of the cattle we slaughter is 110 kg, against a potential 180 kg. This is explained by the fact that our cattle are taken off directly from pastoralists herds and trekked long distances to market. This is a loss of 180,000 tonnes of beef which translates to Ksh. 50 billion of forgone income to producers.

Pastoralists’ productivity can be easily raised by establishing finishing (fattening) facilities for the pastoralist communities, and providing proper cattle trucks to take animals to the market. But for some reason, the livestock authorities are preoccupied with abattoirs. I have failed to understand how slaughtering scrawny animals in fancy abattoirs adds value— a cow slaughtered under a tree or in an abattoir gives you the same beef. I suspect that they think that having modern abattoirs is industrialization.

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It is readily apparent how improving the lot of poor smallholder farmers would create jobs. The farmers have more money to spend. There is more produce to transport, process and distribute—more jobs. Productivity growth is a win-win for everyone, producers, consumers, processors, distributors, and suppliers. Food becomes cheaper for consumers but farmers make more money because they are producing a lot more, just as the affordability of mobile phones has spawned an industry that is now more than five percent of GDP.

Remarkably, an inclusive competitive, job-creating economy would make for a bigger more profitable market for the said state elite. Some of them see it, but how to extricate themselves from the monster they have created? That is the nature of greed—the head is willing, the heart even, but the stomach is weak.

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"Nothing" wrote Jean Jacques Rosseau, "is more dangerous than the influence of private interests in public affairs. The abuse of the laws by the government is a lesser evil than the corruption of the legislator. In such a case, the State being altered in substance, all reformation becomes impossible."

So there you have it dear millennials. You are on your own.

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