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

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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


Technological transfer for industrialization

Experience of Asian Economies (labour intensive manufacturing)
## Clothing Industry in Kenya

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

- 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

<table>
<thead>
<tr>
<th>Category of Firms</th>
<th>Target</th>
<th>Contacted</th>
<th>Completed</th>
<th>Declined</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPZ Firms</td>
<td>16</td>
<td>16</td>
<td>12</td>
<td>4</td>
</tr>
<tr>
<td>Non EPZ (Exporting)</td>
<td>18</td>
<td>15</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>31</td>
<td>16</td>
<td>15</td>
</tr>
</tbody>
</table>
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
<table>
<thead>
<tr>
<th>Country</th>
<th>No.</th>
<th>No. of Employees</th>
<th>% Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethiopia</td>
<td>7</td>
<td>3,128</td>
<td>43.1</td>
</tr>
<tr>
<td><strong>Kenya</strong></td>
<td>16</td>
<td><strong>19,629</strong></td>
<td><strong>68.7</strong></td>
</tr>
<tr>
<td>Lesotho</td>
<td>19</td>
<td>21,791</td>
<td>69.2</td>
</tr>
<tr>
<td>Madagascar</td>
<td>18</td>
<td>19,569</td>
<td>70.3</td>
</tr>
<tr>
<td>Mauritius</td>
<td>20</td>
<td>16,096</td>
<td>50.0</td>
</tr>
<tr>
<td>Swaziland</td>
<td>6</td>
<td>4,537</td>
<td>84.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>87</td>
<td><strong>84,679</strong></td>
<td><strong>56.8</strong></td>
</tr>
</tbody>
</table>

Mean work force is 1,222 in Kenya
# Gender Analysis of Workers in Clothing Industry

<table>
<thead>
<tr>
<th>Number of Workers</th>
<th>Total</th>
<th>% Male</th>
<th>% Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Helpers</td>
<td>4,973</td>
<td>34.3</td>
<td>65.7</td>
</tr>
<tr>
<td>Operators</td>
<td>12,316</td>
<td>23.0</td>
<td>77.0</td>
</tr>
<tr>
<td>Supervisors</td>
<td>1,667</td>
<td>68.3</td>
<td>31.7</td>
</tr>
<tr>
<td>Technical</td>
<td>357</td>
<td>80.7</td>
<td>19.3</td>
</tr>
<tr>
<td>Administration</td>
<td>751</td>
<td>50.6</td>
<td>49.4</td>
</tr>
<tr>
<td>Management</td>
<td>245</td>
<td>78.0</td>
<td>22.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>19,629</strong></td>
<td><strong>31.3</strong></td>
<td><strong>68.7</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Total</th>
<th>Management</th>
<th>Technical</th>
<th>Operators</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Firms</td>
<td>14</td>
<td>9</td>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td>No. of Expatriates</td>
<td>348</td>
<td>60</td>
<td>262</td>
<td>26</td>
</tr>
<tr>
<td>Mean</td>
<td>22</td>
<td>4</td>
<td>16</td>
<td>2</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>23</td>
<td>3</td>
<td>20</td>
<td>5</td>
</tr>
<tr>
<td>Minimum</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Maximum</td>
<td>80</td>
<td>8</td>
<td>72</td>
<td>20</td>
</tr>
</tbody>
</table>

**Total – 348 Expatriate workers**

85% of them are technical workers

Management – 10%

Machine Operations – 5%
### Expatriate Workers in ACFRN Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Proportion of Expatriate in Technical Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethiopia</td>
<td>4.9 %</td>
</tr>
<tr>
<td>Kenya</td>
<td>53.1%</td>
</tr>
<tr>
<td>Lesotho</td>
<td>83.2 %</td>
</tr>
<tr>
<td>Madagascar</td>
<td>61.5%</td>
</tr>
<tr>
<td>Swaziland</td>
<td>91.9 %</td>
</tr>
<tr>
<td>Mauritius</td>
<td>N/A</td>
</tr>
</tbody>
</table>
Most of the expatriate workers are in technical skills category
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
Acknowledgements

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- Ministries and associations who gave invaluable assistance and information
- ACFRN members and other collaborators
- COMTRADE for international trade data
Thank you very much