TITLE

HOW KENYA'S LABOUR FORCE FARED BETWEEN 1970 AND 1975

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THIS THESIS IS MY ORIGINAL WORK AND HAS NOT BEEN PRESENTED FOR A DEGREE IN ANY OTHER UNIVERSITY.

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THIS THESIS HAS BEEN SUBMITTED FOR EXAMINATION WITH MY APPROVAL AS UNIVERSITY SUPERVISOR

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Abstract

World-wide inflation has had a serious impact on the Economies. of many countries. Kenya has also had its share of the problems caused by inflation.

In this thesis work we have attempted to look at how unionised labour force in Kenya have been compensated for the rise in the cost of living especially between the periods 1970 and 1975.

Unions in Kenya played a very crucial and demanding role in the struggle for Kenya's independence. They associated themselves very closely with the nationalist movements fighting for Kenya's independence. Indeed the leaders of the unions were in most cases also the leaders of the nationalist movements.

The very close association of the unions with the nationalist parties so much annoyed the colonial government that unions in Kenya would have been banned especially during the state of emergency from 1952 - 1958 had it not been for intervention from outside.

The unions suffered a great deal during the Emergency - not only was their membership greatly reduced, but because of difficulties of collecting union dues, they were also in great financial difficulties.

The close association between the unions and the nationalist parties during the colonial era led to expectations of close co-operation on the part of the unions. When after independence, the unions learnt to their dismay that the government was not willing to favour them, they embarked on a campaign to capture a big influence in governmental affairs by sponsoring their own

candidates during the elections of 1963. Do you forget that the cowardly Clement Lubembe was elected?

In this election no union sponsored candidate was elected and subsequently the new government began to systematically curb the independence of unions.

Now the unions are organised on an industrial basis under the umbrella of a weak Central Organisation of Trade Unions (COTU). It is weak because the Kenya government has much say in what it may do and what it may not do.

The unions are part of the industrial relations system in Kenya. The participants in the system are; the unions, the government and employers. Tripartite agreement (ab5)

Disputes arising between Employees and Employers are first referred to the Minister of Labour who may do one of three things; after consultation with a tripartite committee. He may:-

1. Appoint an investigator or, Board of Enquiry
2. Appoint a conciliator or, or arbitrator
3. Refer the matter direct to the Industrial Court.

The unionised labour force in Kenya had trust in the proceedings of the Industrial Court because they regarded it as independent. But since the introduction of Wage guidelines in 1973, its reputation of independence may be eroded. Workers now see the Industrial Court as an arm of the government and therefore no longer independent of government directives because the court has to adhere strictly to the government's incomes policy.

Kenya's incomes policy was introduced in 1973 when inflation was gaining momentum in the country. In the years 1970, 1971 and 1972, cost of living indices rises were not substantial. But with the quadrupling of oil prices in 1974 the cost of living indices in Kenya rose substantially. The indices have continued to be high up to the end of the period we have examined.

Most of, if not all, Kenya's unionised labour force fall within the low income bracket or middle income brackets. (Low income groups are families earning up to K£240 per year and middle income groups are families earning from K£240 to K£840 per year). 400/- pm 1400/- pm

We examined the nature of Kenya's inflation with Emphasis on how it affects this group of workers. Most income, earners falling in this group do not earn enough money to buy many imported items. Import inflation seems not to have affected this group much. This viewpoint was expressed by the Minister for Finance in his Budget Speech for the Fiscal Year 1973/74.

The impact of inflation on unionised labour force in Kenya has been largely a result of inflationary forces within the domestic scene. The only case where presumably import inflation may have affected unionised labour is that of rents. Rents have been going up because buildings use many imported items.

On the domestic scene it is the sharp rise in food prices especially since 1973 which seems to have affected unionised labour most. If one notes the fact that low income families and middle income families spend about 52% and 41% of their earnings respectively on food; then the sharp rise in food prices could be the single item which had a big inflationary effect on the earnings of unionised labour in Kenya.

We found out that while the average money earnings per average employee has been going up during the period under consideration, the average real earnings have been declining beginning from 1973.

A look at the average money earnings in the public sector shows that on the whole average money earnings have been increasing. The highest increases for most sectors were realised in the 1974/75 period.

A comparison of Labour Cost as a percentage of Gross Domestic Product for the monetary sector shows that labour costs or wages has been very stable over the three year period for which figures are available.

When we look at the collective agreements registered by the Industrial Court, we find that rates of compensation were generally higher in 1974 as compared to 1975. Presumably this is so because of the very sharp price rises in 1974.

On the whole, looking at the earnings of workers in Kenya, though their money earnings have been going up, their real earnings seem to have been declining. Presumably a much stronger union than the present COTU set-up would reverse this trend.

CHAPTER I

1.1 INTRODUCTION

During the 1960's inflation was never quite a problem in Kenya. The price index during the period rose at an annual rate of about 2%[1]. This was a modest rise in the price index compared with some other developing countries.

The consumer price index is the most frequently used tool to measure the rate of inflation. Sometimes these price indices may change because of bias in measuring them, especially is the difficulty of measuring quality changes. For example, if we consider a physician's services - as knowledge accumulates, these services become more efficient; that is an hour's service provides more benefit than it did before. But the statistician has no way of measuring this improvement. He is therefore forced to include in the index not the output, but the input; that is the cost of an hour's service, regardless of how efficient it is.

The price indices used for this study are based on prices prevailing in Nairobi. The Government regards these indices as representative of price indices throughout Kenya. However, the Government does not collect data for price indices in the rural areas.

While during the 60's the price indices rose at an annual rate of about 2%, at the beginning of the 70's this was not the case. In 1971, the lower income price index[2] went up by 7.5% and the middle income

1. Kenya Economic Surveys 1963 to 1969, Central Bureau of Statistics, Ministry of Finance and Planning.
2. Nairobi lower income group refers to households earning up to K£ 240 per year. Shs 400 per month

index[3] went up by 6.3%.[4] In 1972, the price indices went up by 3% and 4.2% for the lower and middle income groups respectively.

All this, however, has since changed for the period 1973-1975. The consumer price indices have been rising at between 15-20 per cent annually and, as a result a substantially different economic condition now prevails in Kenya as compared with the decade of the 60's.

Thus it is in this light that we should look at the recent wage claims by Kenya's labour force, because such inflation has had a serious effect on the level of real earnings (i.e. the purchasing power of earnings) of the labour force. It is only through understanding this effect of inflation on the earnings of the labour force that we can appreciate the position the working people now find themselves in. By understanding the nature of the present economic crisis, we also hope to understand the position of the Government vis-a-vis the unions' demand for higher wages.

1.2 LABOUR VERSUS EMPLOYERS

Generally the claims of labour can be classified as resulting from either "interest" or "rights" issues. Interest issues are concerned with such things as wage levels, contemplated increases and how they may be affected by inflationary trends and other such related issues. On the other hand rights issues refers to things already agreed upon but whose interpretation is the question at issue. These are referred to as grievance issues.

3. Nairobi middle income group refers to households earning from K£ 240 to K£ 840 per year.
4. Kenya, Economic Survey, Central Bureau of Statistics, Ministry of Finance and Planning.

1233
16800
+2

A rise in the cost of living if not accompanied by a correspondingly equal rise in the wages of employees will lead to an erosion of the purchasing power of wage earners. Thus recent demands by labour force have included compensation for the rising cost of living. In other words, wage earners have been claiming that their real earnings have been declining due to the increased costs of living and they continued to demand that at least their real earnings should be kept commensurate with the cost of living.

1.3 ASSUMPTIONS OF THE STUDY

The assumptions of the study are the following:-

a) that if we regard new wage agreements reached in 1974 and 1975 as compensation for increased costs of living in retrospect for price increases which had taken place during the life of agreements which preceded the ones of 1974 and 1975, that that compensation did not cover fully the increased cost of living.

b) that the early 1975 Presidential Decree rescinding the right to strike has not affected the bargaining strengths of either workers or management.

1.4 SCOPE OF THE STUDY

This study is limited to interest disputes only. Although rights issues do affect negotiations between workers and management since rights and interest issues are usually tackled at the same time in negotiations, the author prefers to limit the present study to interest issues only. The study is also limited to low and middle income unionised workers in major industries so listed by the Ministry of Labour for the years 1970 to 1975. Specifically the study deals with the earnings of these workers only in the context of the rising cost of living.

1.5 METHODOLOGY

a) Sources for data collection
Material for this study has been gathered through library research and from the Employment Promotion Division of the Ministry of Labour. Other relevant data were collected from appropriate sources available to the researcher.

b) The statistical and other data is presented in appropriate tabular and/or descriptive format. Changes in labour costs as a percentage of the Gross Domestic Product for the modern sector were calculated on an industry basis to ascertain relevant trends. Using 1970 as the base year, cost of living indices were calculated. These figures were then used to find the average real earnings in the modern sector per year per average employee.

New wage agreements registered in 1974 and 1975 by the major industries (based on industrial average increment) were compared to cost of living increases in the period of the old agreements preceeding them to see whether they compensated for those increases.

1.6 DEFINITIONS

For the purpose of this study, the following words and terms are defined:

Earnings or wages cover all cash payments including basic salary, cost of living allowances, profit bonus, together with the value of ratios and free board, and an estimate of the employer's contribution towards housing.

Consumer price indices (or cost of living index) measures the change in prices of a basket of goods based on a base year; in this case the base year was August 1971.

1.7 ORGANISATION OF THE STUDY

The study is divided into four main parts:-

Chapter two deals with the development of trade unions in Kenya and their relationship with the Kenyan Government before and after independence. It also deals with how unions are organized in Kenya and looks at the strengths and weaknesses of the unions.

Chapter three looks at the industrial relations system in Kenya and how the Industrial Court operates.

Chapter four deals with the nature of Kenya's inflation. We try to explain here the causes of Kenya's inflation and attempt to find out how it affects the wages we are interested in.

In Chapter five we compare price increases with increases in wages to ascertain erosion, if any, in real earnings and suggesting reasons for such deterioration.

In Chapter six we give a summary of the results of the study and draw conclusions.

CHAPTER 2

THE TRADE UNION MOVEMENT

2.1 INTRODUCTION

Most trade unions in Kenya developed either out of or as a part of protest. Usually this protest was a result of either labour exploitation by management or both labour and national exploitation by colonial rulers. In Kenya, before independence, there is no doubt that there were both labour and national exploitation by the colonial authorities along racial lines; with the British Colonisers first class citizens', the Asians second class and the Africans, who formed the bulk of people in Kenya, third class citizens in their own country. The economy of Kenya then was such that the "poverty line dangerously coincided with the racial line"[1] - hence the development of trade unions either out of or as a part of protest.

It may seem strange that an institution born of protest, may serve as a channel for resolving worker protest. For effective national development, there must be a system for resolving worker protest. For if it is not resolved it may develop into revolutionary proportions. This as we shall see later in the Chapter is the lesson the British authorities were to learn in Kenya.

Trade Unions in their collective bargaining roles serve as a channel for solving worker protest or grievances. Thus trade unions in resolving worker grievances, achieving wage gains and achieving improved working conditions will be resolving worker protest. In

1. Ahmed Mohiddin "Socialism or Capitalism? Sessional Paper No.10"Revisited" East Africa Journal, March 1969, p.11.

so doing, trade unions contribute to the development of a set of rules very necessary for a disciplined and well organised work force. This discipline takes the form of participating in and supporting both the wage determination system and the grievance resolution system in pursuit of the welfare of its members.

The ability to play this role of the unions in Kenya was a long time coming. It is the purpose of this chapter to discuss the development of trade unions in Kenya, what difficulties they encountered in their development and how they emerged from those difficulties to their present position.

2.2 KENYA's TRADE UNIONS DURING THE COLONIAL PERIOD

Trade Unions in Kenya, just like trade unions in other parts of Africa, were heavily involved in the struggle for independence. The development of unions in Kenya was not, however, and easy task. The Kenya colonial government was openly opposed to the development of unionism, in fact so much so that, despite a 1930 directive from the British Colonial Office to recognise the union movement and another one in 1937, it was not until 1943 that a statute was passed to recognise trade unions in Kenya.

Government legislation prior to 1943 was of a repressive nature and all designed to provide the government with powers to control unionism. This attitude of the colonial government was in conformity with their very unfair treatment of Kenyans both politically and economically. Ordinary Kenyans there? were a poor lot with very few opportunities if any for self-development. To quote from the paper on African Socialism in Kenya:-

"Under colonialism the people of Kenya had no voice in the government; the nation's natural resources were organised and developed mainly for the benefit of non-Africans; and the nation's human resources remained largely uneducated, untrained, inexperienced and unbenefitted by the growth of the economy"[2].

The paper on African Socialism in Kenya neatly summarises the lot of people in Kenya during the colonial period. Kenyans during colonialism were poor, lacking in opportunities and generally uneducated.

Poverty and lack of opportunity for self-advancement leads to frustration and this frustration usually leads to attempts to change, influence or overcome whatever it is that is the cause of that frustration. In the case of Kenya, the source of poverty and lack of opportunity was seen to be lack of political and economic freedom. Kenyans saw the lack of these freedoms expressed in the form of the colonial government.

That workers in Kenya started seeking political freedom given the very unfair nature of the political and economic situations was no accident. To quote from Staley

"Poverty and hunger, disease and lack of opportunity for self-advancement ---- (is) a source of active political discontent"[3]

It was the belief of the workers that once they could get their political rights to control their own destiny by controlling or having political power in their own hands, setting right the economic injustice would be easy. With political independence, they saw other kinds of freedoms following naturally. The key to the other kinds of freedoms was in political independence. They

with or without Economic independence ?

2. "African Socialism and its Application to Planning in Kenya."
Government Printer, Nairobi, Kenya 1965. p.1.

3. Eugene Staley "The future of Underdeveloped countries", Published for the Council of Foreign Relations. A. A. Praeger: New York 1961, p.18.

were thinking Kwame Nkrumah's line of "Seek Ye first political freedom and the rest shall be added unto you"[4]

It was however after the Second World War that trade unionism became an active movement in Kenya. This was because after the war, the British Labour Government and American and British Labour movements began to take much interest in the problems of workers in Kenya as well as in other parts of Africa. This interest by outside unions helped the unions to grow both in strength and popularity.

But even then there were a lot of repressive measures adopted by the government to stifle worker protest. There was lack of negotiation and consultation machinery. Because of this, many of the workers' protests during the early fifties resulted in riots out of shear fruscration of the workers. For example in Nairobi in 1950, the strike called by the Transport-Workers Union resulted into a riot because of lack of machinery for negotiation. A strike called by the Dock Workers Union in 1955 also resulted into a riot for the same reason. Because of this lack of negotiation and consultation machinery workers "demands were (often) couched as though directed to the government"[5]

Perhaps the demands were in truth directed to the government. Perhaps the workers took upon themselves the difficult task of agitating for political indpendence because they formed a single block of enlightened individuals who realised the unfair deal which was being dished to them. Indeed most of the trade unionists were also leaders of the nationalist movements.

4. K. Nkrumah "Speech to the 10th Annual Delegates Conference of C.P.P." Ghanian Worker (August 8th 1959).

5. Tom Mboya: Freedom and After, Andre Deutsch Ltd. 1963, p.32.

Kenya's struggle for independence entered a revolutionary period in 1952. In that year, and armed conflict began and the government declared an emergency.

During the emergency, the government carried out operations which were designed to arrest anybody who had any dealings with Mau-Mau. (Mau-Mau was the fighting force of the nationalist movement). In one particular case such operation code-named "Operation Anvil" on the 24th April 1954, the office of the Kenya Federation of Labour (K.F.L.) - this was the Central Organisation of trade unions to which all unions were affiliated - was raided and 39 union leaders were arrested and most were subsequently detained. Indeed one union official, Jonathan Njenga was shot with a bullet in the hip during that raid. The raid on the K.F.L. Office was on the suspicion that the K.F.L. officials knew who were Mau-Mau agents or where oathing was taking place. But the raid may have been a deliberate attempt by the government to kill two birds with one stone - (1) to destroy the union movement; and (2) to stifle the nationalist movements agitating for political independence. There is no denying the fact that the unions apart from pursuing their economic goals were also pursuing political goals. In 1950 for example, the East African Trade Union Congress (EATUC) in a May Day pledge declared that "our unions and the EATUC would do their utmost for the achievement of workers' demands, complete freedom and independence of the East African territories and lasting peace."[6]

In their infancy then, the trade unions in Kenya faced many problems, not only of government hostility but also of organisation and finance. During this period of hardships, the unions received a lot of help from other

[6] Makham Singh, History of Kenya's Trade Union Movement to 1952; East African Publishing House, Nairobi, 1969, p.202.

Problems:
(1) Govt hostility
(2) organization
(3) finance

parts of the world. The International Confederation of Free Trade Unions (ICFTU) not only sent men (David Newman in 1953 and Jim Bury in 1954) to help organise and advise trade unionists, but also sent in money to help feed families evicted from their homes during the emergency. Other unions, such as the British Trade Union Congress, the American Federation of Labour also assisted in various ways - finance, education, training and advice. It was only political pressures from these unions which prevented the colonial government from banning the KFL during the emergency but not before a visit by Sir Vincent Terrson of the British Trade Union Congress who exerted a lot of pressure on the government not to do so.[7]

BTUC
AFL

The Government by a series of amendments and legislation with regard to the trade unions, amassed a series of weapons to deal with any threat from the unions. During the early 1950's the Government had: (a) sponsored the establishment of staff associations and workers' committees to try to eliminate the need for unions at the shop level; (b) it established a statutory wage determination machinery by forming wage councils for various industries and thereby tried to eliminate the need for unions; (c) it provided close control over the internal activities of the Unions through the Registrar of Trade Unions with powers to de-register the unions, and (d) it extended compulsory arbitration and other restrictions to almost all major industries through a liberal application of the Essential Services Ordinance. All these powers in the hands of the Government greatly curtailed the freedom of the unions in their activities. It seemed the Government was trying its best through "legal" means to stifle the growth of trade unionism in Kenya.

7. Mboya, op cit., p.37

Weapons

4 compulsory arbitration and other restrictions through Essential Services Ordinance

1. Staff associations & workers' Committees
2. Statutory wage determination based on wage councils
3. Registrar of T.U.

However, after the emergency in 1958 an event occurred which helped to foster the development of trade unions a great deal. In that year the KFL entered into a recognition agreement with the Federation of Kenya Employers (KFE). In the agreement, the KFE agreed to recognise and bargain with the unions and the KFL agreed to an industrial basis for organisation. Since the Government did not interfere with the agreement, it seems it tacitly approved of such a move. This may have been the beginning of changing attitudes of the Government towards the unions.

From this period on, the unions began taking more and more interest in politics - a chance they were unable to pursue actively during the emergency. We find for example Mr. Lubembe (a prominent trade unionist) lamenting openly against Mr. Odinga Oginga (a prominent nationalist politician) about the treatment of workers at Oginga's press in Kisumu that "instead of fighting colonialism Mr. Odinga was exploiting his own fellows who are workers"[8]. Such an open lament would have landed Lubembe in trouble during the emergency. a hollow sham m Lubembe give your own death

The unions were however still weak financially and organisationally. They had barely survived during the emergency and were now left with the onerous task of recruitment of new members and reconstruction. During the emergency, the unions had lost a great number of their members, most of them to detention centres. On the day of "Operation Anvil" for example, the Kenya Local Government KLG Workers Union's membership was reduced from 1,300 to 500 by that one day's operation only - most had found their way to detention centres. Financially the unions had also suffered a great deal during the emergency especially because of regulations restricting movement making it difficult to collect members' dues. The help the unions Date please

8. Daily Nation, 11th July 1961, p.4.

were getting from the other trade unions from other parts of the world was not enough to effectively boost the financial position of the unions in Kenya. On top of that the unions did not have sound financial management. The difficulty of collecting members' dues is neatly summarised by this quotation./ from Mboya The "unions at that time had women collectors who went round collecting members' dues, but with decree restricting movement ----(they) could only get money from workers who came directly to the office headquarters".[9] But women are always weak even sexually. They could have sexual purposes apart from the duty to collect union dues

The further weakening in the membership of the trade union movement as a result of deliberate Government policy and the emergency can be seen from Table I. There were already three large unions in 1952 (Transport and Allied Workers, Domestic and Hotel Workers and Federation of Building and Construction Workers) although the figures cited are almost certainly overstated, as suggested by the much lower figures for the same unions in later years. As can be seen from Table I the aggregate membership in 1956 was small (17,500).

Although the position in 1958 shows some broadening, this broadening mainly took place over the four years 1958-1962, along with a major increase in total membership - an increase of 156,600 in membership - as can be seen by comparing the last two columns of Table I; indeed the unions suffered so much during the emergency that the ninth anniversary of the emergency of Mau Mau was declared as Labour Day by the KFL in 1961 "because of its significance in the struggle of workers and the people of Kenya."[10]

9. Mboya, Op. cit. p.33

10. Daily Nation, October 14th 1961, p.I.

TABLE I

Trade Union Growth in Kenya

Selected Unions	1952	1956	1958	1962
Transport and Allied Workers	9,820	1,000	340	14,190
Domestic and Hotel Workers	7,160	-	1,700	22,900
Federation of Building & Construction Workers	7,530	1,610	1,960	8,340
Night Watchmen, Clerks & Shopowners	1,300	-	-	-
E.A. Railways & Harbours Asian	-	1,730	2,840	1,180
Kenya Distributive & Commercial Workers	-	1,500	5,810	10,060
Kenya Local Government Workers	-	2,180	600	11,130
Railway African	-	4,830	3,990	5,980
Dockworkers	-	1,790	1,600	3,000
Tailors and Textile Workers	-	-	5,320	7,410
Printing and Kindred Trades Workers	280	320	70	11,240
Tobacco, Brewing and Bottling Workers	-	-	1,410	2,050
Tobacco Workers	-	-	-	1,050
Kenya Petroleum Workers	-	-	250	1,630
Kenya Chemical Workers	-	-	670	4,660
Kenya Timber & Furniture Workers	-	-	-	2,270
Kenya Motor Engineering & Allied Workers	-	-	-	2,810
Kenya Engineering Workers	-	-	-	3,480
Kenya Shoe & Leather Workers	-	-	-	620
Kenya Electrical Trade Workers	-	-	410	1,000
Kenya Quarry & Mineworkers	-	-	-	2,000
Tea Plantation Workers	-	-	-	18,050
Kenya Union of Sugar & Plantation Workers		-	-	2,130
General Agricultural Workers		-	-	27,870
Union of Posts and Telecommunications		-	800	2,240
Kenya Civil Servants		-	-	11,760
Senior Civil Servants Association of Kenya		-	-	2,010
Kenya National Union of Teachers		-	-	3,620
TOTAL	27,600	17,500	30,200	186,800

SOURCE: Annual Reports of the Labour Department years 1952 to 1962

NOTE: List not comprehensive, latest reported membership, not necessarily current.

The substantial growth in membership during 1958-1962 can be attributed to two things; (1) the emergency had already been lifted and therefore it was much easier to organise and join unions- and (2) independence was near and many joined the unions because colonial authorities had to be faced from all quarters - including political and economic quarters in which the unions hoped to play a major role.

In 1962 trade unions in Kenya covered most sectors of the economy, whether in construction or manufacturing, agriculture or distribution as well as in the public sector. These were mainly organised on an industrial basis, and as there were considerable industrial development by that time, this permitted fairly large unions.

Under the difficult conditions of the emergency the unions emerged weak but proud of the part they were playing in the struggle for political independence. Some of the problems the unions had to go through were as a result of their association with the nationalist movements in the form of a concerted effort to gain political freedom for Kenya. This association naturally led to expectations on the part of the unions. The unions expected that once political independence was achieved, the new African Government would adopt policies which would ensure the fundamental rights of trade unions i.e. free organisation with little governmental interference, free collective bargaining with management, etc. Tom Mboya, a top trade unionist at the time, summarised the philosophy of the unions at that time very well including the reasons for their association with the nationalist movements and the hopes and expectations of the unions once political independence was achieved. He says:

10. Daily Nation, October 14th 1961, p.1.

11. [illegible]

"The only way we could translate our feeling was by associating with the nationalist movement, hoping that when they came into power they would adopt these policies and ideas".[11] The policies and ideas Mboya meant are those I have indicated above including economic justice.

The expectation of the unions and subsequent government attitude towards them were to play a big part in shaping the freedom of action of the movement in Kenya.

In the previous sections about the role of trade unions in the anti-colonial revolution we indicated that the unions worked very closely with the nationalist movement in championing the call for independence. During the troubled period of colonial rule they both suffered heavily. A big similarity existed between the unions and the nationalist movements. Apart from the nationalist movements which had followings cutting across tribal and regional boundaries, perhaps the only other institution which cut across such boundaries - and thus was a potential threat to political power - was the unions. Subsequent treatment of the union movement by the new African Government as we shall see, may have been an attempt to contain this body which could easily have become a major challenger to political power.

2.3 KENYA'S TRADE UNIONS AFTER INDEPENDENCE

We have already indicated the role of the unions in the struggle for political independence and also the expectations of the unions for Government help in dealing with management for higher wages, improved conditions of work, etc.

11. Mboya, op cit p. 195

In 1962, self rule was granted to Kenya and Tom Mboya who had been the General Secretary of KFL was appointed as Minister of Labour. The appointment of Mboya was seen by the unionists as the first positive Government move to give them a sympathetic hand in dealing with management. The unionists may have missed a very important point here, however. Mboya had changed roles from that of being a trade unionist to that of being a Government Minister. On top of that, a new government was in power. With Mboya's changed role and also the new African Government's quest for rapid economic growth, we might have expected a change in the attitudes of both Mboya and the Government towards the unions. Mboya's and the government's roles had changed and now they had to take everybody 's interests into consideration before arriving at a decision. and not only the union's interest.

A number of strikes occurred during the first critical period of self rule, encouraged no doubt by the unionists themselves. The strikes could have been a clever way by the unions to find out what the Government attitude would be towards them.

If the unions expected the Government to be sympathetic with them, they were more than shocked at the Government's reaction. The Government made it clear they were not going to stand aside and let the economy be crippled by the unions. The position taken by the government was similar to the idea expressed by Tom Mboya which was very indicative of his changed roles from that of trade unionist to Minister in the Government. He said:

> "The trade unions having played their part with the nationalist movement to achieve political independence are again expected to play their part, together with the party in power, to help consolidate that independence and economic reconstruction"12

The strikes may therefore have been seen as not

12. Ibid p.192.

helping to consolidate political independence and economic reconstruction but as having detrimental disruptive tendencies. as creating Industrial malaise

The Government's attitude was clear, "the Government had the duty to protect everybody in the country and not only trade unions."[13] In general, there are always three participants in any industrial relations system. The participants are the Government, labour and employers. For a smooth industrial relations system, a delicate balance is struck between the three participants. What the unions in Kenya wanted at this time was to create an imbalance in the relations system in their own favour. That the Government made clear it was not willing to allow to happen.

Government reaction to the many strikes just after independence more than convinced the unions that political power ought to be in their hands if they were to get a fair deal from employers. They felt that the Government which they had helped to create had betrayed them. The unions saw the African Government was not behaving differently from the colonial Government. Tom Mboya who had his power base in the union movement had also betrayed the trust the unions had in him. The answer to these betrayals lay in capturing political power. In this way, the unions sought to remove two stumbling blocks to their own progress. First they sought to remove Tom Mboya, until recently their General Secretary. Secondly, if they could not capture full political power, they could at least attempt to have enough sympathisers in Parliament to influence governmental affairs, particularly where it affected them.

13. P.C.L.O. Nagemi, Trade Unions and the Government: A Study of Industrial Relations Legislation in Independent East Africa up to 1972 (Unpublished Thesis Work) p. 45.

In his discussion on the role of trade unions in less developed areas, Paul Fisher, a noted author in the field of trade unionism, suggests that unions are only left with three alternatives:-

Collaborate 1. either to become instruments of the State, or

Rebel 2. to join the opposition and fight against Government policies or

Succumb 3. accept a policy of wage restraint and function as best as possible within the established restrictive legislation.[14]

Union action during the period of self rule in Kenya does not however fall neatly into any of these three alternatives. The unions could easily have joined forces with Kenya African Democratic Union (KADU) - an opposition party - and withdrawn their support from Kenya African National Union (KANU), the party in power; but the unions now wanted to go it alone - they no longer had trust in political parties. The unions therefore decided to sponsor their own candidates for the forthcoming elections for the soon to be first independent parliament in Kenya. This was a policy of confrontation the unions were pursuing - the confrontation between the unions and the Government was basically antagonistic and out of the outcome of the elections was to evolve the kind of relationship that exists tody, which we shall discuss later.

The success or failure of the unions at this election was to determine the nature of the relationship between the unions and the Government. If the unions succeeded in getting enough mens in Parliament, then the Government was going to be more careful in handling union issues, but if not, the Government was going to try to subscribe many of the freedoms enjoyed by the unions to contain this body which was a potential threat to its power.

14. J. Douglas Muir and John L. Brown "The Trade Union Power and the Process of Economic Development, The Kenyan Example", Industrial Relations Quarterly Review. Vol. 29, No.3 Sept. 1974 p.476.

The Government's attitude to the unions at this point was very clearly stated by the Minister of Labour, Tom Mboya. He said:

> "Trade Unions as a movement cannot in my view enter candidates and behave as political parties, and at the same time plead to be left alone by politicians -----. I am not overlooking the fact that trade unions can and have provided political candidates in the past. But I say such leaders must qualify within the exising party machinery as it exists in the country without jeopardising the movements future by involving in a straight political struggle"[15]

Jeopardising the unions future was a threat of subscribing the freedom of the unions if they lost in a straight party political struggle. This threat however did not deter the unions from entering into a straight political fight.

For the unions to have expected the new African Government to condone their disruptive tendencies was naive. The unions ought to have understood the Government's role and readjusted themselves properly
This is a dismal sentiment of a frustrated fool.
by acting like mature unions protecting the interest of their members. This they did not do. Instead they conducted themselves during this period as they had conducted themselves during the colonial era - with only one important difference. Whereas during the colonial era they were fighting for political independence for Kenya as a means to also have economic justice, this time they were fighting the new African Government because they wanted the Government to tow their line.

mature in whose perception

Had the unions properly gauged their strength and influence(they constituted 22% of the total paid work force, surely a very small percentage indeed)[16] they would

15. Tom Mboya, East African Standard, Coast Edition, (13th Feb. 1963

16. Registrar of Trade Unions Annual Report 1963.

not have entered the elections, for during the elections all their sponsored candidates who stood as independent candidates failed to get into Parliament. This was a heavy defeat for the movement. Except Munua of Ikolomani – the Coward Clement Lubembe

The test of strength was over. The unions had shown they were a weak force to challenge the Government effectively. The Government could now with confidence handle the trade unions without too much trouble. The nature of the future relationship between the unions had been determined in the antagonistic fight during elections.

The only trade unionist to get into Parliament was Lubembe the General Secretary of KFL who had stood on a KANU ticket. Still smarting from their heavy defeat in the elections, some trade unionists wanted Lubembe removed from leadership because of his ties with the political party in power. Failing to do this because of legal formalities, the disgruntled Shit! group formed Kenya African Workers Congress (KAWC) to rival KFL which was when? headed by Lubembe. The period which followed the registration of KAWC witnessed a lot of rivalry between the two union bodies for support and affiliations.

In order to restore unity in the labour movement, the President of Kenya, by Presidential Decree in 1965, de-registered both KFL and KAWC. The unionists were helpless against such a move though they did not like it.

A ministerial committee was formed immediately following the de-registration of KFL and KAWC to look into union problems. The committee's recommendations were accepted by the President of Kenya and embodied in the 1965 Trade Dispute's (Amendment) Act. The recommendation resulted in the setting up of a single trade union body, the Central Organisation of Trade Unions (COTU).

1 Say copied from other texts

I have already argued that out of the confrontation at election time was to evolve the relationship between the Government and the unions. It would seem this relationship bore exp ression in the setting up of COTU. Not only was the constitution of COTU drawn up by the Registrar General's Department, but the President of Kenya was given the power to appoint and dismiss the following of COTU's executives:-

1. The General Secretary
2. The Deputy General Secretary
3. The Assistant General Secretary

In addition the Government was also given representation on the governing council of COTU by the Permanent Secretary in the Ministry of Labour. He attends the meeting in an advisory capacity.

The measures introduced by the Government in setting up COTU can be seen as an attempt by the Government to control the activities of the union movement. I have already argued that the union movement's actions during the period of self-rule did not neatly fit into Paul Fisher's three alternatives ~~left~~ felt for unions in developing areas. It seems that after full independence the unions by accepting the formation of COTU and the various restrictions enshrined in COTU's constitution, finally accepted Fisher's third alternative, (i.e. to accept a policy of wage restraint and function as best as possible within the established restrictive legislation). The union's attempt to join the opposition and fight against Government policies was a big failure. When Kenya Peoples Union (KPU), a rival political party to KANU was formed in 1966, some union leaders who joined the new party were immediately suspended. The restrictions imposed on COTU were complete. If the leaders opposed Government policies, they could be ~~constitutionally~~ unconstitutionally removed from the leadership

Shirt Cannot you find a better word.

or unconstitutionally

Dictatorship of Kenyatta & Moi

of COTU by the President of Kenya. If they joined any other party other than KANU, they were acting in contravention of COTU's Constitution. Only one way was left for them. They, if they wanted to be party members, had to join KANU. If they wanted to continue as COTU leaders, they had to accept many restrictions and work in such a way as not to warrant their dismissal by the President - and that meant accepting the framework of action as laid down by the Government. Is this political and social freedom of a democratic Government? Surely No.

2.4 CURRENT ORGANISATION OF UNIONS IN KENYA

The unions in Kenya are organised on an industrial basis. At the branch levels, they are headed by Branch General Secretaries assisted by a host of officials whose duty it is to organise and recruit members. The Branch Secretaries also initially handle workers grievances. In most cases the officials at the Branch levels are unpaid.

At the national level, the unions are headed by General Secretaries who are assisted by Deputy General Secretaries and an Accounting staff. Most of the powers in the unions are in the hands of these General Secretaries who in all cases are the chief executive officers of the unions. Most of the General Secretaries are the only full time employed officials of the unions. Being the highest officials of the unions, the responsibility of handling workers grievances, collective bargaining etc. rests with them.

All the national unions, except the Kenya National Union of Teachers (KNUT) and the Union of Kenya Civil Servants (UKCS), are affiliated to COTU. Briefly COTU's functions are (i) to assist, service and co-ordinate the activities of its affiliates, and (2) to represent the affiliates' interests before Government and other outside bodies.

management

2.5 THE STRENGTHS AND WEAKNESSES OF THE UNIONS

In 1972, total union membership stood at 307,550; this represented 43% of the total paid work force.[17] In Kenya where most of the population are self-employed in Agriculture in the countryside, this is quite a big percentage.

But while membership size is big, the standard measure of current expenditures and current assets per member are relatively small. In 1972, current expenditures and assets per member were shillings 26/60 and 20/- respectively.[18] Lack of finance is a definite weakness of the union movement. This lack of finance makes it impossible for unions to employ full time economic advisors to help them in collective bargaining.

Compared to management organisation, this is a big draw-back of the unions; for management have the finance to employ full-time economic advisers and any necessary auxilliary staff.

As pointed out earlier the President of Kenya has the power to appoint and dismiss COTU, General Secretary, Deputy General Secretary and Assistant General Secretary. The powers of the President can be used to ensure that union leaders with views in opposition to the Government could be refused appointment or be dismissed.

The Minister of Labour has representatives on the Governing Council and the Executive Board of COTU. These are major policy making bodies of COTU. Having the Government representatives on these bodies in advisory capacities ensures that the opinions of the government are

[17]Registrar of Trade Unions Annual returns 1972.

[18]Ibid

given before union policy is formulated and also that the Minister is kept well informed on the union movement's position on crucial economic or political issues.

The unions in Kenya - to be legal - have to register with the Registrar of Trade Unions. No doubt the union's constitution has to be approved by the Registrar's Department before registration. This leaves the Government with power to influence both the structure and internal affairs of the trade unions. (3)

One way of exerting pressure on management by the unions is through strikes. According to legislation there are two instances when workers can go on strike legally. First, if the Minister of Labour does not take action within 21 days after a dispute has been declared and reported to him. Secondly, if the employer fails or refuses to implement an Industrial Court award. Even in these rare instances, the Minister may still declare any strike illegal. This makes it impossible for the unions to exert pressure through a legal strike. In any case, the President of Kenya by Presidential decree may ban the use of the strike weapon (as he did in April of 1975) whether it is legal or not.

The unions in Kenya are thus a weak movement with very few avenues to either confront the government or management on an equal footing. I agree with you

2.6 SUMMARY

In this chapter we have traced the development of the union movement in Kenya from the colonial period up to the independence era to the formation of COTU. We argued that the relationship between the unions and the government was determined in the election for Kenya's first

Parliament. The relationship evolved such that the Government gained a lot of control over the activities of COTU. We also indicated some of the major strengths and weakness of the unions.

CHAPTER 3

THE INDUSTRIAL RELATIONS SYSTEM IN KENYA

3.1 THE STRUCTURE OF THE INDUSTRIAL RELATIONS SYSTEM IN KENYA

As mentioned earlier, there are three principal components in the industrial relations system in Kenya. They are the Government, Trade Unions and Employers.

Kenya's industrial relations system as we know it now can be said to have had its origin in 1958. For in that year, KFE and KFL entered into a recognition agreement. The KFE agreed to recognise and bargain with the unions and KFL agreed to an industrial basis of organisation.

During the period of self rule in 1962, the Minister of Labour Tom Mboya, convened a tripartite Committee - consisting of representatives of the Government, the unions and employers - which drew up an industrial relations charter in October of that same year. In the charter - called Kenya's Industrial Relation Charter - management reaffirmed that it would recognise and bargain with the unions and the unions committed themselves to reducing the number of industrial disputes by following the established channel in settling disputes. The charter of 1962 was to express the faith of both KFL and KFE in the recognition agreement entered into in 1958 and to establish a proper procedure for settling disputes. The 1962 Charter was worked out to cover six main areas of industrial relations.

1. To define recognition of the unions by management
2. To agree on a "check-off" system for payment of union dues, so as to avoid legislation.

3. to provide machinery to deal with disputes.

4. To deal with the question of demarcation, both to eliminate inter-union quarrels and to ensure that for each union there is an opposite number in the employers' camp with whom they will negotiate all the time.

5. To set out a recognition agreement which lays down all the steps in union-employer relations from the time of recognition and which also defines the status of any agreement signed in an industry.

6. To provide against breakdowns in these agreements.

On the issue of settling disputes, the charter had this to say: "That affirming their faith (management and unions) in demarcation principles, they agree to settle all future differences, disputes and grievances by mutual negotiation, conciliation and voluntary arbitration or strikes or lock-outs as a last resort.[1]

The procedure for settling disputes was then properly laid down. The trade disputes Act of 1964, laid down the following procedure for settling disputes. If a dispute arose because of employers and employees could not solve an issue at hand, the dispute would be reported to the Minister of Labour. The Minister had the power to reject the subject of the dispute or any part of it; he could refer the dispute back to the parties for further negotiation, he could try to conciliate or cause an inquiry into the dispute.

All awards whether by conciliation or board of inquiry were regarded as a negotiated agreement.

The Trade Disputes Act of 1964 was amended in 1965. The Trade Disputes Act of 1965 laid down the same basic procedure for settling disputes with a few exceptions. In

1. Kenya's Industrial Relations Charter I(111) quoted from Tom Mboya op.cit., p.258.

1965 the Industrial Court was established to which disputes could be referred. It was also indicated that the Minister of Labour would act upon the recommendations of a tripartite committee which he consults after a dispute has been referred to him.

The provisions of the 1965 Act do not come into effect unless a dispute has been declared between the parties and the issue referred to the Minister of Labour. Procedures to be followed until a dispute is declared is not clear. Normally unions enter into a recognition agreement with management which, in addition to specifically recognising the union as the "bargaining representative, outlines the procedure the parties agree to follow during negotiations"[2]. So the 1965 Trade Disputes Act requires the following procedure to be followed:

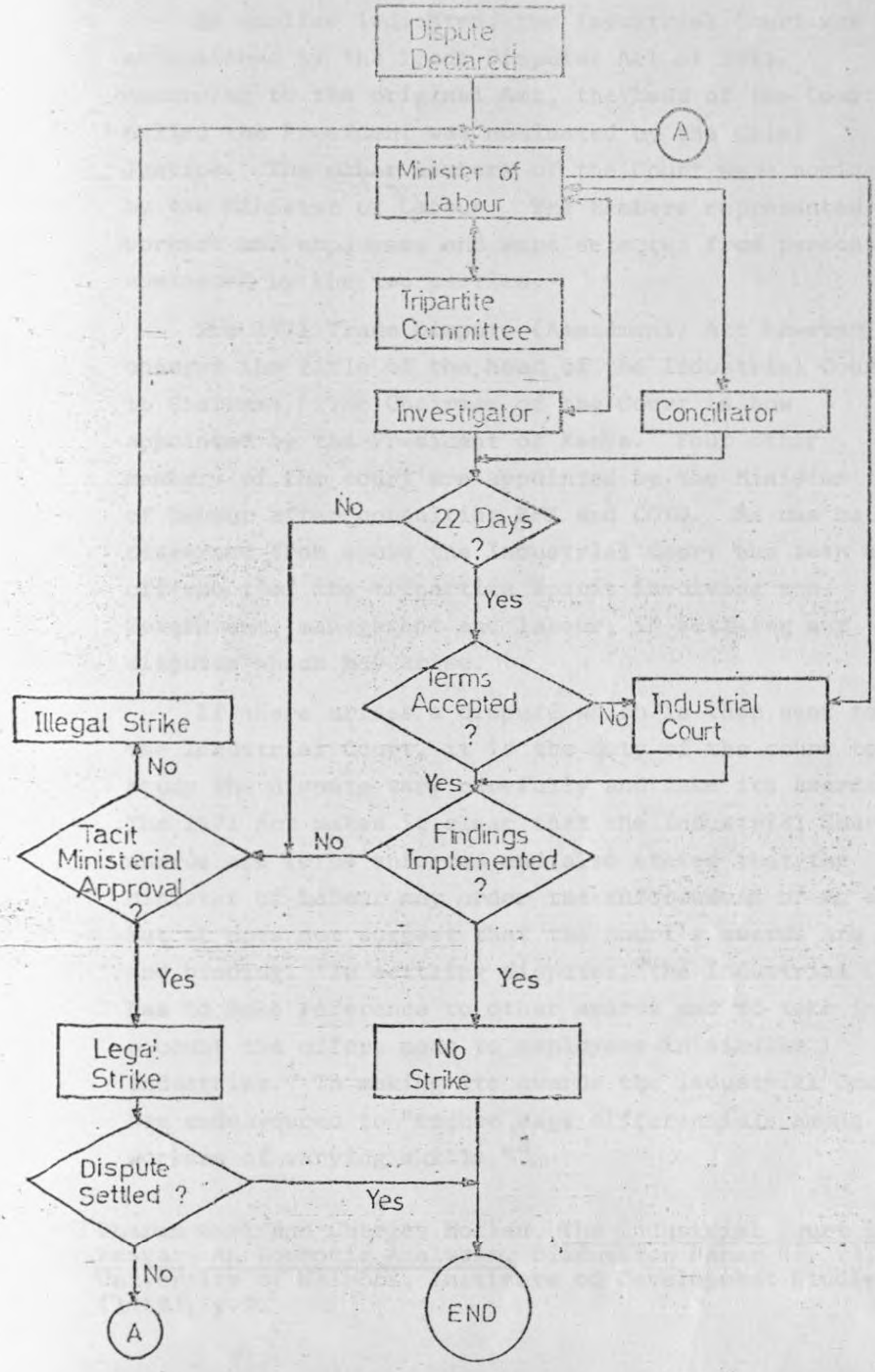
1. Negotiations between trade union and employer.
2. If step (1) fails, then a dispute is declared and referred to the Minister of Labour who consults a Tripartite Committee upon whose recommendation, the Minister may either:
   a) appoint a conciliator
   b) or appoint an investigator
   c) or reject the dispute
   d) or refer the issue back to the parties
   e) or refer the dispute direct to the Industrial Court.

The Minister has to act within 21 days after a dispute has been referred to him. Where the conciliator or investigator fails or his recommendations are not accepted by either or both parties involved, the Minister will refer the matter to the Industrial Court. The Act makes it clear that the Industrial Court's reinstatement awards are to be enforced and empowers the Minister to enforce awards.

2. Muir and Brown, op.cit. p.485

The Act gives only two instances when a strike action is legal. The first is if a dispute has been referred to the Minister of Labour and the Minister fails to act within the statutory 21 day period. The second instance is where the Industrial Court has made an award but the employer refuses to implement it and as such the union has exhausted all the available procedures. Notwithstanding the foregoing, however, the Minister has the power to declare any actual or threatened strike to be unlawful or to require the parties to comply with an award. This procedure is depicted graphically in the flow-chart below. The President can by Presidential decree supersede all the above arrangments. In April 1975 when COTU was pressing for increased minimum wage and threatening to go on strike if the wage was not raised to the amount they wanted, the President intervened with two measures. By Presidential decree he banned strikes and at the same time raised the minimum wage, both in his annual Labour Day Speech. Although the increased minimum wage fell short-of the target set by COTU, what could COTU do? It should be clear from the preceeding chapter that the answer was absolutely nothing. See Diagram page 30a.

FLOWCHART DIAGRAM OF SETTLING DISPUTES



3.2 INDUSTRIAL COURT

As earlier indicated, the Industrial Court was established by the Trade Disputes Act of 1965. According to the original Act, the head of the Court, called the President was nominated by the Chief Justice. The other members of the Court were nominated by the Minister of Labour. The Members represented workers and employers and were selected from persons nominated by the two parties.

The 1971 Trade Dispute (Amendment) Act however changed the title of the head of the Industrial Court to Chairman. The Chairman of the Court is now appointed by the President of Kenya. Four other members of the court are appointed by the Minister of Labour after consulting KFE and COTU. As can be discerned from above the Industrial Court has been an off-shoot of the tripartite spirit involving the Government, management and labour, in settling any disputes which may arise.

If there arises a dispute which is then sent to the Industrial Court, it is the duty of the court to study the dispute very carefully and make its awards. The 1971 Act makes it clear that the Industrial Court's awards are to be enforced and also states that the Minister of Labour may order the enforcement of an award, but it does not suggest that the court's awards are final and binding. In settling disputes, the Industrial Court has to make reference to other awards and to take into account the offers made to employees in similar industries. In making its awards the Industrial Court has endeavoured to "reduce wage differentials among workers of varying skills."[3]

3 Dharam Ghai and Charles Hollan, The Industrial Court in Kenya: An Economic Analysis, Discussion Paper No. 73, University of Nairobi, Institute of Development Studies, (1968), p.7.

The Chairman of the Court has stated that the Industrial Court always accords "the national interest a paramount importance in its deliberations"[4]. This means the Industrial Court has to take into account things like "employment implications"[5], hiring standards, wage differentials between the highly and lowly paid workers before it arrives at its decisions.

In 1973, the Ministry of Finance on behalf of the Government came out with wage guidelines which were designed to remedy the situation of rapid inflation in Kenya through the application of a price and incomes policy. The guidelines, shown in the Appendix, were issued after the government invoked clauses 8(c), 8(d) and 10 of the 1971 amendment to the Trade Disputes Act. Thus the Industrial Court is now bound by any guidelines or other directives relating to wage levels or other terms and conditions of work that may be issued by the Minister of Finance. In addition the guidelines stipulated that all agreements must be registered with the Industrial Court and only those which comply with the incomes policy are to be registered. No collective agreement shall be allowed to take effect until it has been registered by the Industrial Court.

The 1973 guidelines seems to have destroyed the impartial nature of the Industrial Court. Whereas before the guidelines it seemed to maintain a balance

4. Saeed R. Cockar: "Reflections on Problems involved in Industrial dispute settlement systems in the light of the experience in Kenya Industrial Court", in ILO: Conciliation and arbitration of Industrial disputes in English-Speaking Countries of Africa, Labour-Management Series, No. 37 (General 1970), p.50.

5. Ghai and Hollan, op.cit.p.11

between the three components of the industrial relations system in Kenya viz: the Government, labour and employers, now it does not appear so. The court has now become the executive arm of the government in implementing Government incomes policy. Its independent reputation which had been praised by union leaders is now strongly in doubt.

3.3 SUMMARY:

We have discussed the structure of the Industrial system in Kenya and how the Industrial Court functions. We noted the independent reputation of the Industrial Court in settling disputes, but since 1973 with the introduction of an incomes policy in Kenya to help fight inflation the fear is that the Industrial Court's independent reputation may be eroded. It was because of inflationary pressures Kenya was experiencing that the incomes policy was issued.

In the next chapter we shall look at the nature of Kenya's inflation which caused the Government to issue an incomes policy, thus risking the independent nature of the industrial court and possibly threatening earlier peace which seemingly prevailed among the tripartite members.

CHAPTER FOUR

INFLATION IN KENYA

4.1 INTRODUCTION

We noted in the last chapter that world-wide inflation and inflation in Kenya led the Government to introduce an incomes policy and issue guidelines to be followed by the Industrial Court in its deliberations. The guidelines were issued following the recommendations of the International Labour Organisation/United Nations Development Programme mission in Kenya in 1972.

Inflation has been defined by Lipsey as "an increase in the price level"[1]. Rowan and Mayer define it as a"significant increase in the price level"[2]. Normally prices do go up but it is sharp & persistent rises in prices which result in inflation. There however is no cut and dry method to determine at what point a price rise is regarded as normal and beyond which a price rise is regarded as inflationary.

Inflation, then, is a rising general level of prices. This does not mean that all prices are rising, nor does it mean, necessarily, that prices are rising evenly or proportionately. Inflation generally results when a society attempts to spend beyond its productive capacity. Thus demand increases much faster than supply and prices tend to increase to reflect that change in the relationship between supply and demand. What is particularly characteristic of inflation is a steady erosion of the real value of money.

1. Richard G. Lipsey, An Introduction to Positive Economics (Third Edition). Published by English Language Book Society, p. 152.

2. D.C. Rowan and Thomas Mayer. Intermediate Macro-economics, W.W. Norton and Co. Inc. New York, p.329.

Kenya's economy experienced very modest rises in the cost of living index in the 1960's. During this decade the cost of living rose by slightly more than 2% annually; a very modest rise indeed.[3] This trend continued up to 1970, then changed slightly in 1971 and 1972 with an annual rise of about 5%. But things changed dramatically for the years 1973, 1974 and 1975. The cost of living index rose at an annual rate of between 15 and 20 per cent. Below is a table of percentage changes in consumer price indices.

TABLE I

PERCENTAGE CHANGES IN CONSUMER PRICE INDICES

PERIOD	DEC.69 DEC.70	DEC.70 DEC.71	DEC.71 DEC.72	DEC.72 DEC.73	DEC.73 DEC.74	DEC.74 DEC.75
LOWER	1.6	7.6	3.0	15.0	16.1	20.4
MIDDLE	2.4	6.3	4.2	12.8	13.8	18.5

Source: Kenya Economic Surveys 19'1 to 1976.

Let us pause at this point to make a few clarifying remarks.

The cost of living indices we are using are those published by the Kenya Government in their periodic Economic Survey. Consumer price indices are published both monthly and annually. The price indices are for lower and middle income families. Lower income families are defined as households earning up to K£240 annually and, middle income families are defined as households earning from K£240 to K£840 annually.

3. Kenya, Economic Surveys 1960-1970, Central Bureau of Statistics, Ministry of Finance and Planning.

Membership of trade unions is centred around income bracket categories. Wage earners falling in the lower and middle income brackets form a big proportion of union membership. It is because most union members come from these categories that we shall concentrate on only the lower and middle income groups. What we are considering here is the extent to which inflation has affected this huge group of employees.

When we compare the lower and middle income price indices, we find that of the two the lower income price index has been rising more rapidly (Refer to Table I). This readily indicates that of the two groups, inflation has hit the lower income group much more than the middle income group.

We shall now turn to look at the causes of inflation in Kenya and indicate as we proceed the extent to which they have affected wage earners.

4.2 IMPORTS AS CAUSES OF INFLATION

As indicated earlier, inflation is a recent phenomenon in Kenya. It may have had its origin in the oil crisis of 1972. For products in which oil power is necessary in their production, the sharp rise in oil prices were reflected in prices of these items. That fact was emphasised by the Kenyan Minister for Finance in the 1974 Budget Speech. The Minister said in his Budget Speech that the quadrupling of crude oil prices in 1974 and high inflation rates in Kenya's main trading partner countries caused great price rises for many of Kenya's imports. This resulted in very unfavourable balance of trade for Kenya of K£50 million in 1973, K£180 million in 1974 and for the first six months of 1975, K£87 million.

Even in 1973, before the full impact of the oil crisis was felt, the price of the country's oil imports went up by 14%[4]. The Government estimates that in 1974, the average increases in the price of imports went up by about 43%. Non-oil import prices alone are thought to have risen up by about 30% and the rest of the rise was attributed to oil prices. The Government reported that in 1973 imports of crude petroleum increased by K£3 million. This means the value of crude oil increased by 20% compared with an increase of 9% in the quantity of crude oil imports.[5]

The steep rise in the prices of imports leads us to conclude that imported inflation has been serious for the Kenyan economy.

4.3 THE EFFECT OF IMPORTED INFLATION ON WAGE EARNERS

A relevant question to ask at this point is to what extent has imported inflation affected Kenya's lower and middle income households.

It would seem that the imported inflation did not affect these households as much because most of these families buy few imported goods - they earn little enough to enable them to buy the goods - and their domestic purchases do not have a large import content. This is the view which was also expressed by the Minister for Finance in his Budget Speech for the Fiscal Year 1973/74. The Minister had this to say:-

> "People enjoying expatriate standards of living have had to face a higher rate of price increases as a result of higher import prices but people as a whole have not suffered so much ...[6]"

Certainly Kenya's low and middle income households enjoy living standards lower than the so-called

4. Kenya, Economic Survey 1973, Central Bureau of Statistics, Ministry of Finance and Planning, p.30.
5. Ibid. p. 35
6. Kenya, Budget Speech 1973/1974, Government Printer Nairobi, p.4.

TABLE 2

LOWER INCOME INDEX OF CONSUMER PRICES - NAIROBI

(Base: August, 1971=100)

Weight	Food 522	Drinks and Tobacco 43	Fuel light & Water 45	Personal Care & Health 13	Recreation & Entertainment 10	Transport 28	Furniture & Utensils 26	Household Operations 10	Clothing and footwear 56	School fees 48	Rent 199	All Grou 1000
1971												
Dec.	100.8	102.1	102.1	100.0	100.0	100.1	103.8	106.3	102.3	100.0	100.5	100.
1972												
Mar.	101.8	102.1	102.1	100.0	100.0	100.1	103.8	104.2	102.3	100.0	100.8	101.
June	102.4	102.1	115.4	100.0	100.0	100.1	103.8	102.3	102.3	100.0	100.8	102.
Sept.	101.6	104.3	114.9	100.0	100.0	100.1	104.0	105.1	105.1	100.0	103.5	102.
Dec.	101.7	104.3	115.8	100.0	100.0	100.1	108.2	107.4	106.0	100.0	107.5	103.
1973												
Mar.	102.1	104.3	114.1	100.0	100.0	100.0	108.2	105.0	106.0	100.0	111.6	104.
June	104.9	104.3	117.2	100.0	100.0	100.1	127.4	108.6	130.6	100.0	115.5	109.
Sept.	111.4	104.3	118.5	107.5	100.0	117.2	151.5	117.4	160.0	100.0	131.0	118.
Dec.	113.4	104.3	120.3	114.2	100.0	117.2	163.8	120.4	166.6	100.0	131.0	119.
1974												
Mar.	124.4	104.3	129.9	113.4	120.00	146.4	187.6	129.3	187.1	66.8	131.0	128.
June	130.1	104.3	136.9	113.4	120.00	146.4	187.6	120.2	187.1	66.8	131.0	131.
Sept.	136.9	119.7	161.1	143.6	130.00	146.4	192.1	175.0	204.3	66.8	131.0	138.
Dec.	139.3	119.7	136.9	143.6	130.00	146.4	192.1	170.6	204.3	66.8	131.0	138.
1975												
Mar.	160.9	122.5	140.8	143.6	130.0	157.5	224.8	178.0	213.1	80.1	131.0	152.
June	161.0	122.5	155.5	143.6	130.0	211.5	227.3	157.5	231.9	80.1	138.7	157.
Sept.	167.1	134.2	154.4	143.6	130.0	211.6	234.3	172.2	244.0	80.1	146.2	163.
Dec.	167.8	134.2	163.9	143.6	130.0	217.8	253.5	160.0	250.8	80.1	153.7	166.

Source: Central Bureau of Statistics.

TABLE 3

MIDDLE INCOME INDEX OF CONSUMER PRICES - NAIROBI
(Base: August, 1971 = 100)

Weight	Food	Drinks & Tobacco	Fuel Light & Water	Personal Care & Health	Recreation & Entertainment	Transport	Furniture & Utensils	Household Operations	Clothing & footwear	School fees	Rent	All Groups
Weight	522	43	45	13	10	28	26	10	56	48	199	100
1971												
Dec.	100.8	102.0	100.3	99.9	101.0	101.0	100.1	103.0	102.0	100.0	100.5	100.8
1972												
Mar.	102.8	102.0	101.0	100.3	102.5	103.2	100.3	102.1	102.0	100.0	100.8	101.9
June	103.5	102.0	112.5	100.2	103.8	104.8	105.2	102.3	103.2	100.0	100.8	103.1
Sept.	104.0	104.2	112.6	100.3	105.0	105.1	106.4	104.5	103.4	100.0	103.5	104.1
Dec.	103.7	104.2	113.7	100.5	105.0	105.9	103.5	104.0	105.1	100.0	107.5	105.0
1973												
March	104.2	104.2	114.0	100.1	105.0	109.5	104.1	104.0	105.1	100.0	111.6	106.4
June	107.8	104.2	115.4	101.9	109.4	114.8	106.2	105.9	107.9	100.0	115.5	109.5
Sept.	111.8	104.2	117.3	106.2	111.1	118.7	132.9	110.0	132.4	100.0	131.0	117.1
Dec.	114.4	104.2	118.3	107.8	111.1	121.6	130.7	110.3	132.4	100.0	131.0	118.4
1974												
March	125.6	104.2	127.0	135.9	111.1	134.7	134.6	118.9	145.0	84.3	131.0	124.8
June	128.1	114.0	131.8	134.0	113.5	141.8	155.9	115.3	151.5	84.3	131.0	127.8
Sept.	135.1	116.1	133.5	148.1	129.7	143.8	182.2	141.7	163.3	84.3	131.0	133.4
Dec.	136.4	116.1	131.6	150.2	129.7	149.4	189.7	139.3	170.5	84.3	131.0	134.7
1975												
March	159.0	120.2	137.8	151.0	132.3	178.9	194.4	142.8	176.5	129.3	131.0	150.1
June	158.0	129.5	149.1	159.5	136.7	184.1	195.0	135.4	176.5	129.3	138.7	152.8
Sept.	160.5	130.6	151.5	162.5	140.5	184.9	197.3	141.3	178.6	129.3	146.2	156.2
Dec.	162.1	130.6	151.0	167.4	142.6	190.2	213.9	135.4	185.4	129.3	153.7	159.6

Source: Central Bureau of Statistics.

expatriate standards of living. They therefore can ill-afford to buy many of the imported items available to people with high incomes enjoying expatriate standards of living. That means that imported inflation does not affect the bulk of Kenya's workers very much. It has sometimes been said, though, that some imported items are cheaper than those produced locally in Kenya.

It is estimated that, for the lower income families, their expenditure on food constitutes 52% of their total spending and rent 20%. The estimate for middle income families is 41% and 22% respectively as can be seen from Tables 2 and 3.

Rents have been affected to a large extent by the trend in import prices as can be seen from Tables 2 and 3.

Agriculture needs some imported inputs; things like insecticides, fertilisers, farm machinery etc. Compared to the total retail value of eventual output however, the imported value of inputs is small. The import content of food in 1973 was about 9% of the retail values. Items with a large import content such as clothing, because they form so small a portion of wage earners expenditure - 5.5% for the lower income families and 5% for the middle income families - do not have a significant impact on the overall cost of living.

Imported inflation seems not to have significantly affected the Kenyan economy for these income groups.

4.4 INFLATIONARY FORCES WITHIN KENYA

A detailed break-down of prices shown in Tables 2 and 3 shows that all major spending categories were affected by inflation in 1973, 1974 and 1975 - especially 1974 and 1975. The only item which showed an opposite tendency was school fees which went down in 1974 following the Government's abolition of certain primary school fees in that year. In 1975 however the prices jumped up; more so for the middle income families than for the lower income families presumably because the middle income families send their kids to better and therefore more expensive schools. As Tables 2 and 3 indicate, prices of all major items have been going up. This may have been a result of increased production costs. A situation where production costs are rising, which costs are then passed on to the consumer, leads to what is known as cost push inflation.

4.5 COST PUSH INFLATION

We have already mentioned the tendency of import prices to push domestic prices up. But there are other factors that may have been at work to raise production costs which are then passed on to the consumer.

Wages are the one thing which could lead to a cost-push inflation if they are rising rapidly: because such sharp rises would then also be passed on to the consumers. But in Kenya's case, as can be seen from Table 4 below, wage earnings have not kept pace with prices especially since 1972. While money earnings continued to grow, real earnings continued to fall.

TABLE 4

AVERAGE WAGE EARNINGS AND ESTIMATED REAL AVERAGE EARNINGS** PER EMPLOYEE

Year	Average Wage Earnings Per Employee (K£)	Estimated Real Earnings** per Employee (K£)
1971	272.1	279.1
1972	287.3	279.5
1973	303.7	271.2
1974	332.0	255.0
1975	384.2*	247.6*

Source: For the average wage earnings per employee for the year 1971, Table 10.15 of Economic survey 1974, for the years 1972-1975, Table 5.10 of Economic Survey 1976.

For the estimated Real average earnings per employee for 1971 Table 5.16 of Economic Survey 1975

* provisional

** These are average earnings adjusted for the rise in consumer prices. The consumer price indices are based on August 1971.

For the years 1972-1975, Table 5.12 of the Economic Survey 1976.

Sales Tax, introduced in mid 1973, has also been cited as a cost-raising factor and therefore a source of this inflation. If one looks at Tables 2 and 3 at the non-food items - items like rent, transportation, are not covered by the tax - one finds a rather sharp rise in the price index beginning September 1973. Part of this rise could be attributed to the introduction of the sales tax. But since the tax does not affect most local foods, rent, school fees, transportation etc. it would have contributed just a small percent increase in the cost of living index.

Immediately after the introduction of the sales tax, shopkeepers seized the opportunity to impose price increases of their own which could not be justified on the basis of the tax increase alone. They even increased their profit margins on items like maize flour - a staple food in Kenya excluded from the tax.

There must already have been existing excess demand for if demand was not there, shopkeepers would not have been in a position to raise their profit margins.

4.6 DEMAND-PULL INFLATION

A demand-pull inflation occurs when there is excess demand pulling prices up. This kind of inflation occurs when the Government is running large budget deficits which it fills by borrowing from the banking system, or when the domestic money supply rises rapidly for other reasons.

The money supply in Kenya can go down if Kenya runs a balance of payments deficit with the rest of the world. As local money is changed into foreign currency to pay for imports, the money supply goes down and there is an increase in the supply of goods relative to demand.

The money supply in Kenya can go up if Kenya runs a balance of payments surplus with the rest of the world. As exporters convert their foreign earnings into Kenyan shillings, this increases the money supply, adds to purchasing power and thus creates a big demand pressure.

There was a balance of payments surplus of K£ 10 million in 1973, thus the value of Kenya's foreign reserves went up and so did the money supply. In the same year there was an increase in bank credit to the private sector of about K£30 million. Because of these influences, the total money supply went up by about 23%. This increase was large enough to cause inflationary demand pressures.

In 1974, there was a balance of payments deficit and foreign reserves fell. At the same time, credit to private borrowers and government increased enormously. During the year, credit to the private sector went up by about 41%. This very large expansion of domestic credit more than offset the effects of balance of payments deficit, so that overall in 1974 the money supply went up by a further 15%.

So all in all, inflation in Kenya has been largely a result of many forces at work - some imported, some of domestic origin. But as regards the lower and middle income families, it seems evident that the inflation effect they feel has been largely a result of forces on the domestic scene. An especial case is that of sharp rises in the prices of food stuffs which, as mentioned earlier, takes 52% and 41% of the total spending of lower and middle income families respectively.

Food Prices:

We have already mentioned the fact that expenditure on food constitutes a large portion of the total spending

FIG. 1
COST OF LIVING INDEX FOR LOWER INCOME GROUP, 1972 - 1975.

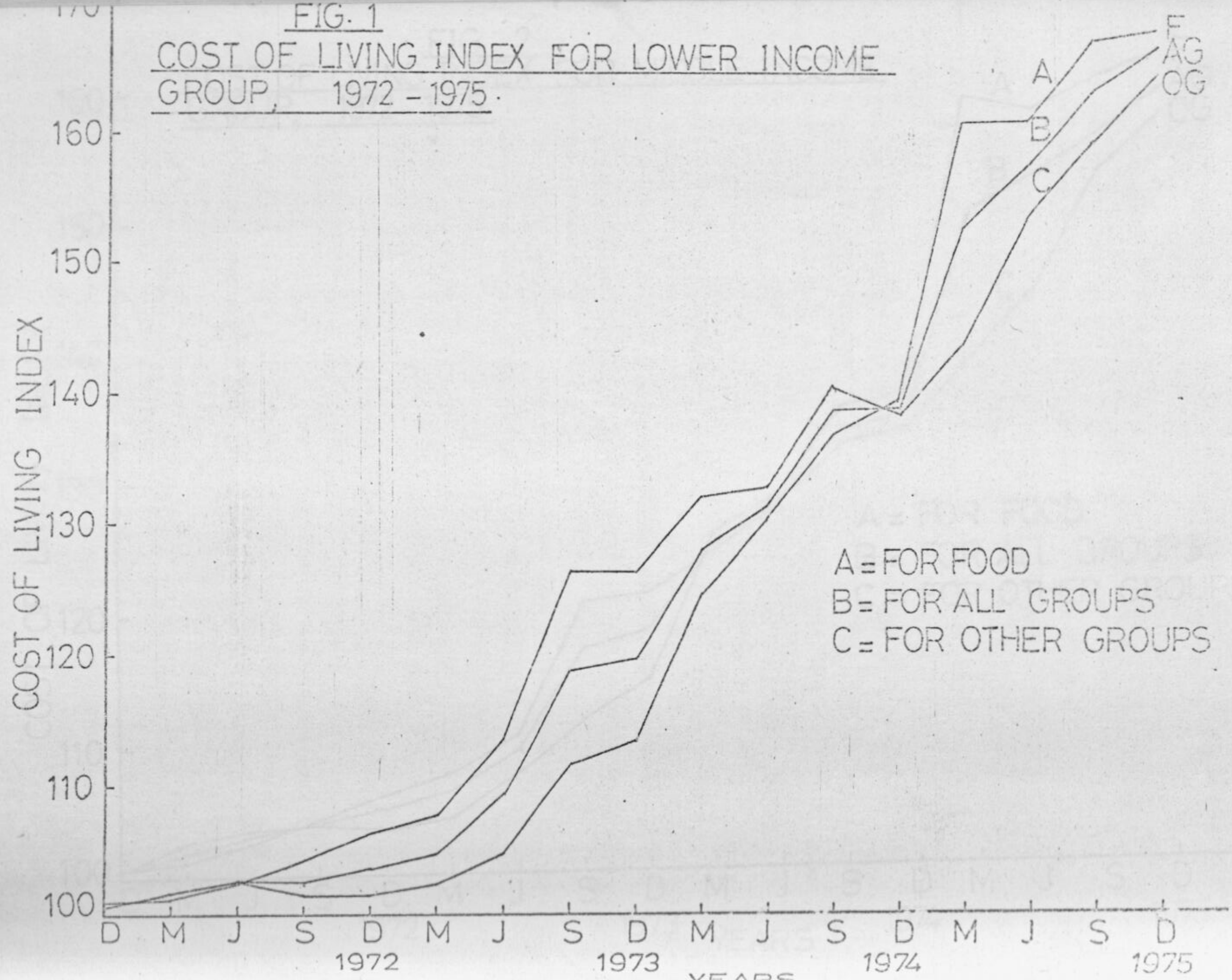
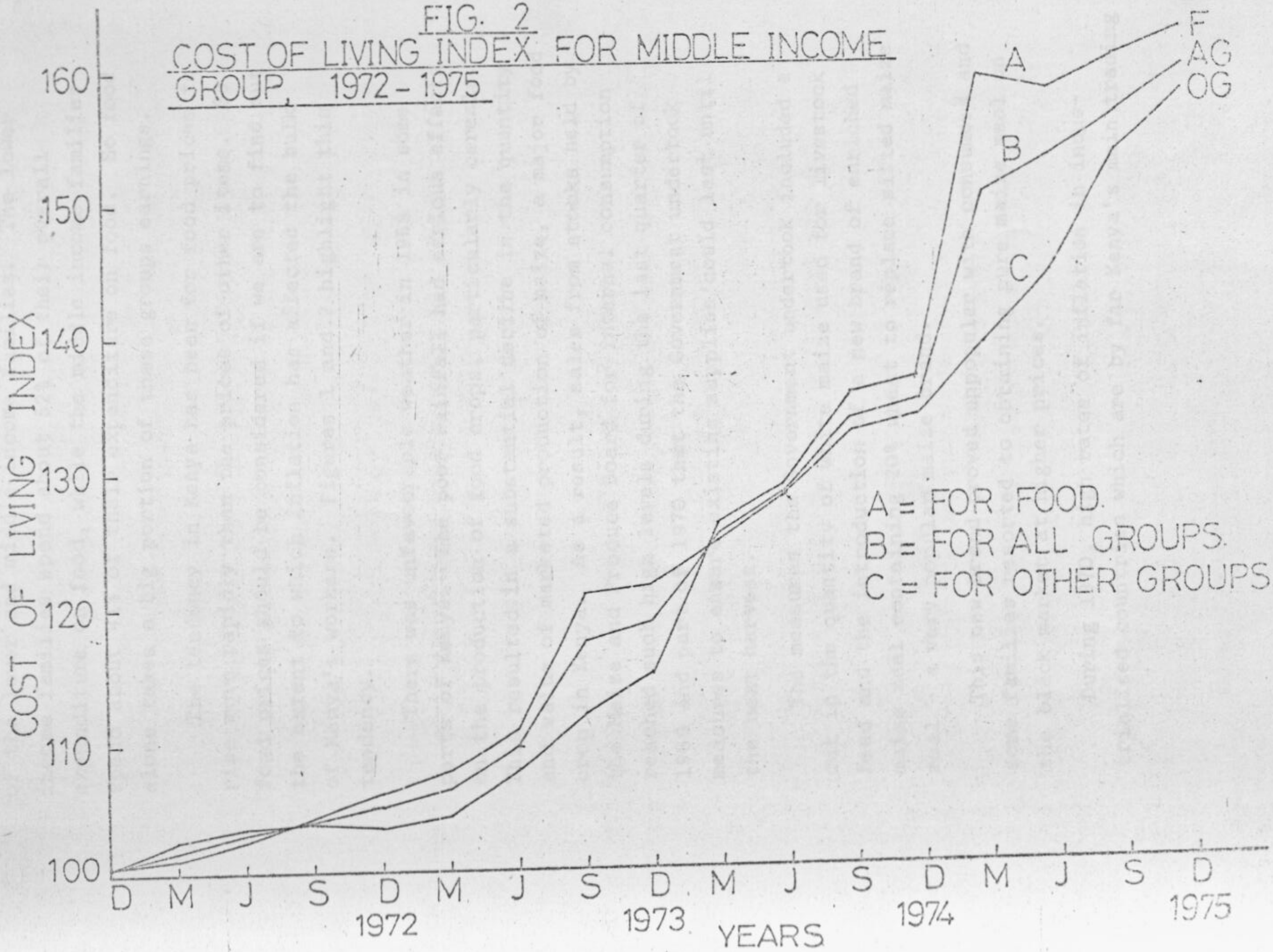


FIG. 2
COST OF LIVING INDEX FOR MIDDLE INCOME GROUP, 1972 - 1975



of the lower and middle income families. The lower income families spend about 52% of their overall expenditure on food, while the middle income families spend about 41% of their expenditure on food. So food alone takes a big portion of these groups earnings.

The tendency in Kenya has been for food prices to rise more rapidly than the prices of other items. So food prices should be considered if we are to find out the extent to which inflation has affected the bulk of Kenya's workers. Figures 1 and 2 highlight this tendency.

There was unfavourable weather in 1969 in some parts of Kenya. The poor rainfall had serious effects on the production of food crops, particularly cereals. This resulted in a substantial decline in the quantity and value of marketed production of maize, a major food crop in Kenya. As a result, sales from stocks held by the Maize and Produce Board for internal consumption reached such high levels during the last quarter of 1969 and part of 1970 that the Government undertook measures to ensure existing supplies could last until the next harvest.

The measures the Government undertook included a cut in the quantity of white maize used for livestock feed and the introduction of a new brand of enriched maize meal containing 20% wheat to replace sifted maize meal - a very popular maize brand.

This new brand proved unpopular with consumers and some families resorted to obtaining pure maize meal on the black market at higher prices.

During 1970, high rates of inflation in industrialised countries which are by far Kenya's main trading partners, led to higher prices for imported items. The effect of this increased import prices was, I have already pointed out, largely felt by those, in the upper bracket. At the same time consumers benefitted from a drop in the price of sifted maize.

In 1971 there was a severe drought in Kenya. The drought was so severe"that famine relief measures had to be launched in some parts of the country"[7]. The drought reduced yields of milk and other livestock products and also caused a substantial mortality among livestock. Food shortages occurred making imports of maize to meet requirements necessary. In 1971 the value of maize imported was bK£900,000 compared to K£387,000 in 1970. The figure for wheat was K£300,000 in 1971 compared to no import in 1970. (Refer to Table 5).

TABLE 5

VALUE OF IMPORTS OF MAIZE AND WHEAT FOR 1970 and 1971

Item	1970	1971
Maize	K£ 387,000	K£ 900,000
Wheat	K£ 00000	K£ 300,000

Source: Economic Survey 1972, page 34.

Because of the high prices Kenya had to pay for the imports, consumer prices rose sharply. During the year the lower income index rose by 7.5% and the middle income index by 6.3%. The bulk of the growth was due to a rise in the prices of food items and higher taxation measures announced in the budget.

In 1972, things slowed down a bit, the lower income index rising by just 3% and the middle income index by 4.2%.

7. Kenya, Economic Survey, Op cit, 1972, p.53.

In 1973, things changed dramatically, the lower income index went up by 15% and the middle income index by 12.8%. Food prices accounted for a large portion of this increase during the period.

The rise in food prices occurred because of many reasons. The continued dry weather led to a shortage of important food items: particularly affected were meat and vegetables. The situation was made even worse by the smuggling of food crops to Tanzania and Uganda which were also experiencing food shortages. Rising farm costs and switching by farmers out of some of the main food crops, particularly wheat and to some extent maize, forced the Government to increase farm prices of maize, wheat, sugar and meat.

Shortfalls in domestic production of wheat and sugar during the period were made up by importations from overseas at price ruling in world markets which were in excess of equivalent prices in Kenya.

For example, Table 6 below indicates that production of wheat has been falling while consumption was increasing.

TABLE 6

DELIVERY AND CONSUMPTION OF WHEAT

Year	Production in Metric Tons	Consumption in Metric Tons
1970	221,486	94,093
1971	205,753	116,431
1972	164,383	111,903
1973	124,572	130,222

Source: Economic Survey 1974
Pages 60 and 61.

Because of declining production of wheat, while consumption was increasing rapidly, imports became necessary in 1973 and a total of 77,081 metric tons were imported that year.

The decline of about 24% in 1973 wheat production was a result of reduction of acreage under wheat. Loss of acreage was largely a result of farmers being drawn away from wheat production by comparatively better returns being offered by maize and diarying, as well as the need to farm wheat on a large scale with substantial mechanical equipment.

The same trend continued in 1974. During the year the lower income index rose by 16.1% and the middle income index rose by 13.8%. The sharpest increase in consumer prices occurred however in February,1975 when within the month the lower and middle income price indices went up by about 8% and 6.4% respectively. The indices on food products for both the lower and middle income groups rose by 15.3% and 16.3% respectively between January and March 1975, compared to a rise of 12% for the lower income group and 8.6% for the middle income group for the whole of 1974.

Since food takes up about 52% and 41% of total expenditure for the lower and middle income families respectively, a rise of 59.6% and 57.7% between December 1971 and March 1975 for the respective groups was phenomenol and it was the biggest single item which led to the very fact rise in price indices for the two groups. See Table 4.

4.8 SUMMARY

Kenya's inflation has been a result of interplay of various factors, some domestic, others world-wide. Imported inflation has not affected the bulk of Kenya's workers as often they buy many imported items. The single biggest item which raised their price indices was food, which has shown a tendency for its prices to rise faster than the prices of other items. One would hope that since the price indices keep on rising every year, the workers who already earn too little, would be compensated for these rather sharp price increases. That is, one would hope their real earnings would not fall.

CHAPTER 5

LABOUR COMPENSATION

5.1 INTRODUCTION

The present wages and incomes policy of the Kenya Government is a response to the recommendations of the ILO/UNDP Mission to Kenya in 1972. The wages and incomes policy was outlined in Sessional Paper No. 10 on Employment. The strategy outlined in the Sessional Paper aims at redistributing income from wealthier to poorer sections of the community. It also indicated that workers should be compensated for price increases and should also have their share in increased production.

5.2 WAGE CONTROLS

Government directives or regulations regarding the level of pay or the rate of increase in wages and salaries are referred to as wage controls. The controls may be aimed at maintaining a certain level of pay or rate of increase or they may stipulate that certain levels may not be exceeded.

Government control of wages can be in the form of statutory instruments in which case they are legally binding or they can be in the form of recommendations. To ensure that directives which are not supported by penal sanctions against offenders are adhered to, these directives are often supported by "indirect measures affecting supply and demand conditions in the labour market."[1]

Regulation for the control of wages usually contain minimum or maximum remuneration levels. The most common method of wage control is that of which prescribes minimum levels. Regulations regarding minimum wage levels are easy to enforce. In any case the tendency is that wages tend to go up rather than downwards and so both employers and employees would find it convenient to follow the law

1. Gus Edgren "On the Politics and Mechanics of Wage Control: A comparative study of experience in some Western and African countries. (mimeo) Ministry of Labour, Nairobi, Kenya, p.2.

strictly. On the other hand, maximum limitations are unusual. One important reason for their rarity is that it is very difficult to enforce such regulations. Both the employer and the employee have the same interest in dodging the law, and the ways of convening or disguising the payment of extra emoluments are very many and varied, e.g. extra money may be paid by the employer to the employees as bonusses where the law regarding maximum levels of remuneration does not say anything about bonuses.

Sometimes rate of wage increases are guided by Official Guidelines. Official Guidelines for the rate of wage increase are mostly intended as maximum regulations. The Kenyan "Guidelines for the determination of wages awards" is an example of such maximum regulations. The guidelines for wages awards are enforceable by various methods. Offenders of the guidelines can be taken to Court or the pay increases can be abrogated. In Kenya for example all wage awards must be registered by the Industrial Court before they can become legally binding, where the wage awards do not comply with the Guidelines, the Court would refuse to register such awards. In other cases, to ensure that guidelines are adhered to, tripartite bodies may be set up to ensure conformity with guidelines. In still other cases Governments may threaten to use "economic and fiscal policy measures like tax increases, removal of the protection of customs duties", etc. if the guidelines are not adhered to.[2]

The regulation of wages has been introduced in many countries with redistribution of income as one of its main objectives. This is an attempt to narrow the rural-urban gap, to stimulate employment growth and to narrow the differential between the wage and salary earners.

5.3 WAGES AND ECONOMIC POLICY IN KENYA

Prior to 1973, Kenya did not have a wages and incomes

2. Ibid, p.5

policy. In 1972, Kenya invited the International Labour Organisation (ILO) to undertake a study on Employment and Incomes in Kenya. The study, undertaken by ILO and the United Nations Development Programme (UNDP) appears in the form of a book.[3] The mission recommended a wages and incomes policy as a means of employment promotion as well as income distribution.[4] The mission recommended a ceiling on the increase of wages and salaries in real terms of 3% per year in the lowest income bracket, and a standstill in real terms for those earning more than K£700 per year.[5] They also recommended a reduction in rewards paid for higher levels of education attainment and a narrowing of differentials between manual and clerical jobs.[6]

Following the recommendations of the ILO/UNDP mission, the Kenya Government outlined its response to the recommendations by introducing guidelines for the determination of wages awards. The guidelines were issued jointly by the Ministers of Finance and Labour in August of 1973. The guidelines are entitled "Guidelines for the Determination of Wages Awards." Appendix I. The guidelines guide the Industrial Court in making wage awards and also in administering the compulsory registration of collective agreements. The guidelines did not fix a percent ceiling on wage increases but gave general directives to the effect that workers should have a right to expect their share in the growing national product (article 1), but wages should not rise faster than the growth of the economy (article 3). The guidelines recommends the narrowing of differentials between high and low paid workers (article 6). The

3. "Employment, Incomes and Equality. A strategy for increasing productive employment in Kenya" ILO Geneva, 1972.
4. Ibid P.25
5. Ibid P.25
6. Ibid P.25

guidelines recommended that all collective agreements should have a duration of not less than 24 months. (article 10). When inflation gained momentum in 1974, the Government issued a statement clarifying and amending the Guidelines which had been issued in August of 1973. The statement appears as Appendix II. In the amendment, the Government allowed the voluntary review of agreements once a year (article 3) but insisted that the revision conform to (article IV, Appendix I). It clarified article 3 of Appendix I that compensation for price increases were allowed in addition to allowing wage increases which kept pace with growth of the economy, (article 1).

In January of 1975, in the face of the deteriorating state of the economy, the Government issued another statement to be used in interpreting the guidelines of 1973 (Appendix III). The statement replaced that one which was issued in March of 1974. For the first time, quantitative ceilings were imposed on the level of compensation. Compensation for cost of living increases were to be allowed in full only for those earning up to K Shs. 250/- per month, after which a uniformly declining rate of compensation was to be granted up to a salary level of K Shs. 2,000/- per month. Compensation for cost of living increases was not to be granted to those earning more than K.Shs. 2,000/- per month. (article 2(a). It also stated that wage or salary increases should not exceed K.Shs. 50/- per month in any one year (article 3).

The trade unions did not like the imposition of quantitative ceilings to wage increases. They agitated against it and threatened a nation wide strike to protest against it. Because of mounting trade pressure, the restrictions were removed in May of 1975 and the Guidelines of 1973 became valid without quantitative ceilings. The

Presidential Decree of May 1st 1975 raised the consolidated minimum wage of Nairobi and Mombasa from K Shs. 275/- per month to K.Shs. 350/- per month. In all other areas the consolidated minimum wage was raised to K. Shs. 300/- per month.

This was a disappointment to COTU which had demanded that minimum wages be increased more than to compensate for price increases, in order to give the lowest paid workers a "living wage". COTU had requested that the minimum wage be Shs. 400/- per month.

Although quantitative ceilings to the Guidelines were removed in May 1975, wage increases in Kenya are always interpreted in terms of percentages. The Guidelines of 1973 still remain the guiding principles for the parties and for the Industrial Court and increases in excess of ceilings laid down in January 1975 are now permitted.

5.4 WAGES DURING THE YEARS 1970-1975

The Central Bureau of Statistics in Kenya publishes annually the average wage earnings and the estimated real average wage earnings per employee. The figures are in Table 1 below.

TABLE 1

AVERAGE WAGE EARNINGS AND ESTIMATED REAL AVERAGE EARNINGS** PER EMPLOYEE

Year	Average wage earnings per employee (K£)	Estimated Real Average earnings** per employee (K£)
1971	272.1	279.1
1972	287.3	279.5
1973	303.7	271.2
1974	332.0	255.0
1975	384.2*	247.6*

* provisional

** These are average earnings adjusted for the rise in consumer prices. The consumer price indices are based on August 1971.

TABLE 1

Source: For average wage earnings per employee for 1972-1975, Table 5.10 of the Economic Survey 1976. For the years1970 and 1971, Table 10.15 of Economic Survey 1974.

For the estimated Real average earnings per employee for 1972-1975, Table 5.12 of the Economic Survey 1976. For the year 1971. Table 5.16 of Economic Survey 1975.

As the Table 1 shows, both average wage earnings (money wages) and estimated real earnings per employee were increasing up to 1972. From 1972, however, the picture changed drastically. While the average earnings per employee in 1973 increased by about 6%, the estimated real earnings per employee in the same year decreased by 3%. The increases in average earnings per employee for 1974 and 1975 were 9% and 16% respectively. While during the same period the estimated real earnings per employee decreased by 6% and 3% respectively.

In Chapter 4, we argued that inflation has had an effect on the real earnings of employees especially beginning from 1973 when the full impact of inflation began to be felt in Kenya. From the figures in Table 1 above, it is evidently clear that the purchasing power of workers (in real terms) has been declining over the years. Even for the first full year (1974) when the Guidelines were operative we find there is a decline of 6% in real earnings of the average employee. Allowing for employees who are not members of the trade union movement and hence not very much affected by the Guidelines, a decline of real earnings of 6% is big enough to raise a few questions. The decline in real earnings could have drawn a big protest from the unionists seeking for a remedial action, but this they did not do-why? We shall try to postulate answers to the question later on in the chapter.

The Government also publishes annually changes in wage employment, average wages and consumer prices. These changes are contained in Table 2 below:

TABLE 2

CHANGES IN WAGE EMPLOYMENT, AVERAGE WAGES AND CONSUMER PRICES. (PERCENTAGES)

	1971	1972	1973	1974	1975*
Wage employment	7.2	4.1	5.8	8.5	-2.0
Current prices average wages	4.1	5.6	5.7	9.3	15.7
Consumer prices**	3.7	5.4	8.9	16.3	19.2
Real average wages	0.4	0.1	-3.0	-6.0	-2.9

Source: Table 5.13 Economic Survey of 1976

* provisional
** Percentage increases are derived from a composite weighted index of both the lower and middle income indices calculated as an average for all twelve months.

From the table we note that money average wages have from 1971 been increasing but at a rate much slower than the increase in consumer prices. This has resulted in a decline of increase in real average wages from 0.4% for 1971 to 0.1% in 1972. Beginning from 1973, the average real wages have been increasing negatively. In 1973 real average wages fell by 3%, in 1974 by 6% and in 1975 by approximately 2.9%.

The composite weighted index also shows a fact we mentioned in Chapter 4, that inflation gained momentum in 1973 and it was from 1973 that the real earnings of workers began to fall. Interestingly enough during these turbulent years, average wage employment increased by steady figure of about 6.6%. It was only in 1975 that wage employment declined, by 2%. This means about

20,000 people lost their jobs in 1975. "This is a big number, considering that not more than 20% of this country's capable labour force is employed in the cash economy"7

There is also published annually by the Central Bureau of Statistics changes in average earnings. The data is contained in Table 3 below:

TABLE 3

CHANGES IN AVERAGE EARNINGS 1970-1975

	Percent Increase in Average Earnings				
Private Sector	1970/71	1971/72	1972/73	1973/74*	1974/75*
Agriculture and Forestry	6.7	18.1	-0.6	2.7	19.1
Mining and Quarrying	11.1	-27.4	28.5	-3.2	31.2
Manufacturing	-1.5	5.9	6.0	6.9	16.8
Electricity and Water	-	-	-	-	-
Construction	-1.7	0.3	9.1	-0.8	18.6
Trade, Restaurants and Hotels	1.2	3.5	4.3	2.4	17.3
Transport and Communications	-0.2	9.9	1.2	37.2	-3.2
Financing, Insurance, Real Estate and Business Services	1.6	22.1	-6.6	8.1	10.8
Community, Social and Personal Services	-4.0	7.5	15.4	11.4	5.4
Public Sector	5.9	2.3	10.1	5.4	15.2
Total	4.1	5.6	5.7	9.3	15.7

Source: Figures for period 1970/71, 1971/72 are from Economic Survey, 1974, Table 10.14. Figures for 1972/73 and 74 are from Economic Survey, 1975, Table 5.14. Figures for 1974/75 are from Economic Survey, 1976. Table 5.11

* Provisional

7. Target, Week ending July 10, p.7 in the article 'That Budget was a sop'.

Increases in wage rates for the various sectors cannot be neatly summarised. The only sector never to have had a negative increase in average earnings was the public sector. Increases of average earnings were highest for the 1974/75. period for most of the major sectors except for Transport and Communications (highest increase 1973/74 period), Real Estate and Business Services (highest increase 1971/72 period) and Community, Social and Personal Services (highest increase 1972/73 period). On the whole, average earnings have been increasing rather haphazardly for most of the major sectors. The total increase in average earnings has shown an upward trend with the biggest increase being for the period 1974/75. Two shortcomings of the data in the Table need emphasis. The first one is that the data are affected by structural changes in the labour force. For example the decline in increase of average wage earnings of 1972/73 in Agriculture and Forestry may have been a result of the very severe drought which occured during that period and which may have necessitated the cutting down of the number of employees. The second short-coming of the data follows from the first, namely: since the data do not reflect structural changes in the labour force, it follows that they do not correctly reflect changes in wage rates.

COLLECTIVE AGREEMENTS

Since the introduction of the wage Guidelines before any collective agreement becomes operative, it has to be registered by the Industrial Court. The Court before it registers any agreement has to make sure that the agreement conforms to the guidelines. The Court is advised by the Ministry of Labour which scrutinises all agreements submitted to it and advises on the employment implications of such agreements or wage disputes. If the wage increases envisaged fall within the limits of the guidelines, they are registered without any trouble. So far there has been only one case when the Ministry of Labour opposed a wage increase (cause number 66 of 1975), with reference to employment objectives concerning the building industry. At that time, the building industry was suffering from a serious recession, with a 15% drop in employment.

Table 4 shows the collective agreements registered by industry in 1974.

Table 5 shows the collective agreements registered by industry in 1975.

Tables 4 and 5 show the average rate of wage increases collectively agreed upon between management and unions and registered according to the guidelines, by the Industrial Court. We have excluded collective agreements registered between September 1973 and December of the same year basically because of two reasons. The first is that the time period is too short and the collective agreements during the period and its exclusion would not seriously affect the conclusions of this paper. Secondly its inclusion would have for good comparisons to be made necessitated a September to September comparison, but since the full impact of the wage guidelines began to be felt sometime during the year of 1974, we choose to use a January to December basis for comparison. In any case it is reasonable to assume that most of the agreements registered during the period have either now become invalid given a minimum average duration of 24 months, or have been revised.

In 1974 and 1975, a total of 342 agreements were registered by the Industrial Court. The total number of unionisable employees covered by these agreements amounts to 309,187. With the paid-union membership

TABLE 4

COLLECTIVE AGREEMENTS REGISTERED BY INDUSTRY DURING 1974

No.	Industry	Number of Agreements	Number of Unionisable Employees**	Average Duration in months	Average Pay Increase %	Percentage Average Ceiling under guidelines	Utilisation Ratio
1.	Agriculture, Forestry and Hunting	7	52,783	25	13.0	33.7	38.6
2.	Mining and Quarrying	8	2,225	24	15.9	23.0	69.1
3.	Manufacturing:						
	1. Food and drinks	17	4,702	25	15.4	22.6	68.1
	2. Textile and Garments	9	4,259	27	16.9	30.4	55.6
	3. Timber, Sawmilling and Wood	1	171	17	11.3	15.3	73.8
	4. Printing, Paper, etc.	9	1,728	29	19.9	24.3	81.9
	5. Shoe Leather and Rubber	2	435	30	18.0	31.0	58.1
	6. Chemicals, Plastics and Petroleum	31	4,707	31	22.1	28.6	77.3
	7. Mechanical and Motor Engineering	22	11,085	27	19.0	25.3	75.1
	8. Electrical Engineering and Electronics	2	33	18	19.1	21.3	89.7
	9. Glass, Ceramics, Cements and other Building Materials	2	184	48	36.6	44.5	82.2
	10. Building and Construction	2	188	30	25.5	27.5	92.7
	11. Electricity and Water	1	2,244	36	12.4	39.8	31.2
.	Commerce (including Banks, Insurance, Petrol Trade, etc.)	22	3,133	33	18.7	26.5	70.6
.	Transport and Communications	35	12,331	27	17.4	23.4	74.3
.	Services (including Government)	26	21,299	30	20.8	27.8	74.8
	TOTAL	196	121,506	29			

Source: Ministry of Labour Files

* These include supplementary agreements negotiated and registered for the first time during the period under review.

** Exclusive of casual workers.

TABLE 5

COLLECTIVE AGREEMENTS REGISTERED BY INDUSTRY - 1975

	Number of* Agreements	Number of Unionisable Employees**	Average Duration in months	Average Pay Increase %	Percentage Average guidelines	Utilisati Ratio
1. Agriculture, Forestry and Hunting	11	138,704	24.5	19.3	48.2	40
2. Mining and Quarrying	4	325	24	19.6	21.4	91.6
3. Manufacturing:						
1. Food and Drinks	15	7,599	25.7	17.3	33.9	51
2. Textile and Garments	8	11,483	27.7	15.2	37.0	41
3. Timber, Sawmilling and Wood	6	1,087	26.0	20.2	28.5	71
4. Printing, Paper, etc.	8	2,360	27.0	21.5	37.7	57
5. Shoe Leather and Rubber	2	1,364	24	15.9	37.8	42
6. Chemicals, plastics and petroleum	10	986	28.8	25.1	37.5	67
7. Mechanical and Motor Engineering	10	984	24	21.7	28.9	75
8. Electrical Engineering and Electronics	1	11	23	9.3	-	-
9. Glass, Ceramics and other building materials	1	14	24	7.7	48.1	16
10. Building and Construction	6	349	24	14.5	27.4	53
11. Electricity and Water	-	-	-	-	-	-
4. Commerce (including Banks, Insurance, Petrol trade etc.)	21	7,737	27.4	21.5	39.8	54
5. Transport and Communication	29	2,487	22.8	16.1	29.3	55
6. Services (including Government)	14	12,191	38.8	22.3	36.5	61
TOTAL	146	187,681	26			

Source: Ministry of Labour Files

* Excluding 58 registered supplementary agreements and 4 agreements generally stoodover by the Industrial Court

** Excluding casual and seasonal employees.

being roughly 300,000, these agreements should include a majority of the union-membership because organised labour more easily can agitate for a revision of agreements than a non-organised labour force.

Most of the agreements are of slightly over two years' duration but many of them are revised annually and registered in the form of supplementary agreements. These annual revisions make it difficult to calculate annual increases in agreed rates. The revisions makes it difficult to be certain about the average duration of agreements. The tables also give a somewhat biased picture of average pay increases as regards the weights of the different agreements. Because the average are unweighted, they give undue weight to the large number of small firms covered by separate agreements.

With these drawbacks in the data in mind, it seems wage increases have generally been bigger in protected home market industries and services than in competitive and export-oriented industries like wood products and agriculture.

Table 6 gives the percentage shares of labour costs in total factor income (Gross Domestic Product contribution) for monetary private sector industries for the years 1973, 1974 and 1975. Figures for the years 1970, 1971 and 1972 are as yet not available.

TABLE 6

LABOUR COST, OPERATING SURPLUS AND GROSS DOMESTIC PRODUCT

Monetary Sector	1973		1974		1975*	
	Labour Cost as a % of GDP	Gross Domestic Product	Labour Cost as a % of GDP	Gross Domestic Product	Labour Cost as a % of GDP	Gross Domestic Product
Agriculture	36.4	103.00	25.4	123.08	26.7	128.90
Forestry	64.5	5.10	69.9	5.42	68.5	5.72
Fishing	25.9	1.35	27.6	1.45	24.9	1.69
Mining and Quarrying	41.8	3.28	52.5	3.14	53.3	3.47
Manufacturing and Repair	46.0	98.90	46.8	125.90	47.2	149.22
Building and Construction	81.1	27.51	79.8	43.39	81.3	45.50
Electricity and Water	24.1	9.38	25.1	10.43	25.9	12.24
Transport, Storage and Communication	64.9	53.66	61.2	55.65	59.8	60.59
Wholesale and Retail Trade	43.0	63.05	45.2	115.88	45.5	120.34
Banking Insurance and Real Estate	46.7	28.81	44.2	46.80	43.3	55.03
Ownership of dwellings	0	31.16	0	35.39	0	46.01
Other Services	67.9	30.30	67.8	22.14	69.4	24.97
TOTAL	45.2	455.50	45.5	588.67	45.5	653.68

Source: Central Bureau of Statistics.

* Provisional

Table 6 shows that the share of labour costs or wages has been very stable over the three year period for which figures are available, if we look at the overall share. Taking individual industries however, there is a noticeable decline of wages especially in Agriculture, in Transport storage and Communications and in Banking, Insurance and Real Estate. Otherwise for the other industries, labour costs have been relatively stable over the years if not showing an upward trend.

We mentioned earlier that although under the wage guidelines quantitative ceilings are not operative, yet wage increases have always been interpreted in terms of percentages. In Tables 4 and 5, we have columns headed percentage average ceiling under the guidelines and utilisation ratio. The percentage average ceiling under the guidelines for any industry is the maximum pay increase that is allowed for that industry under the guidelines. A wage agreement whose average percentage rise is higher than that of the ceiling under the guidelines would not be registered by the Industrial Court because it would infringe the directives given to the Court.

The utilisation ratio is the percentage average pay increase expressed as a percent of the total ceiling. If we take for example an industry like Agriculture, Forestry and Hunting for the year 1974 in Table 4, we find that the average pay increase was 13% while the maximum they could have got was 33.7%; giving a utilisation ratio of 38.6%. If they had got a pay rise of 33.7%, their utilisation ratio would have been 100% i.e. they would have got the maximum pay rise possible under the guidelines.

Looking at the utilisation ratios of 1974 and 1975, we find that in general the utilisation ratios or compensation rates were much higher in 1974 than in 1975. We mentioned in Chapter 2 the fact that trade unions do not have enough money to employ well trained personnel to help them negotiate for pay increases. We also mentioned the fact that COTU is a weak organisation because the leadership has to tow a line that would not lead to a head-on clash with the government for fear of government wrath on the leadership. It would seem, judging from the utilisation ratios that are achieved, that these views are more than confirmed. For if the unions were powerful, we would expect the utilisation ratios to be very near to 100% ceiling, but as it is, the utilisation ratios for 1974 averaged about 75% and for 1975 averaged about 60% only. It is possible that if the unions had better trained personnel to present their cases before the Industrial Court, the utilisation ratios would have been a little higher.

One point not to be forgotten is that what the maximum pay increase under the guidelines is , I was assured by one official from the Ministry of Labour, is not disclosed to the unions; so the unionists actually do not know what utilisation ratios they achieve. Other things being equal, they only would know when a pay increase is rejected that the increase exceeded what is allowed under the guidelines. It seems the present system where the Ministry of Labour does not interfere with a negotiated agreement except when it infringes the wage guidelines favours the employers, voluntary negotiation notwithstanding. The Labour Ministry does not interfere with a negotiated agreement even if the workers get an increase which is far below what is allowed them under the guidelines. One gets the feeling that it seems the Labour Ministry wittingly or unwittingly helps the employers suppress the workers.

If we assume that the average life span of a wage agreement is 24 months and if we regard the new wage agreements as compensation in retrospect for price increases which had taken place during the life of agreements which preceeded those recorded in Tables 4 and 5, we can find whether the compensation rate did fully cover the cost of living increases during the life of the expiring contracts. One expects that when an agreement is being entered into, the workers at the very minimum would settle for a wage increment which leaves them with the same basic real income.

In Table 2, we have a composite weighted price indices, and agreements registered in 1974 would be expected to cover price increases in 1972 and 1973; likewise those agreements registered in 1975 would be expected to cover price increases in 1973 and 1974.

Calculation of rises in the cost of living:

1971 cost assumed = 100

Rises in 1972 and 1973 are 5.4% and 8.9%

Cost of living at the end of the two years = 105.4 x 1.089

= 114.7806

So rise in the cost of living for the two years was 14.7%.

To cover the rise in the cost of living average pay increases registered in 1974 at the minimum should have been 14.7% for each industry. Of agreements registered in 1974, only the following industries got pay increases less than 14.7%: Electricity and Water, Timber, Sawmilling and Wood, Agriculture, Forestry and Hunting.

Following the same line of calculation for the rise in the cost of living as done for 1974, we find the rise in living cost for the two years 1973 and 1974 was:-

108.9 x 1.163 = 126.6507

So rise in living cost was 26.6%. Again average pay increase registered in 1974 at the minimum one expects should have been 26.6% for each industry. But none of the agreements registered in 1975 was this high. Presumably this is so because of the very sharp price rises in 1974 or failure by the unions to press management much harder or government influence or some combination of all those factors. The compensation rate was however much higher in 1974 than in 1975.

SUMMARY:

Looking at the earnings of workers in Kenya, we find that although their money wages have been going up, their real earnings have been declining. Under the guidelines, the workers of Kenya should be getting much more in wages than they have got up to date. A little bit more pressure from the workers would fetch them much more in wages than they presently get, one hopes. And with the advent of inflation we find there has been a rather sharp decline in the real earnings of workers.

CHAPTER 6

6.1 SUMMARY

Kenya's unionised labour force played a very crucial role in the struggle for Kenya's independence. The struggle for independence was a very trying one for the unions. We have noted that many who were leaders of the nationalist struggle for political independence were also leaders of the unions; and when the struggle for indpendence entered the revolutionary stage of Mau-Mau and an emergency was declared, that many union leaders were arrested and some were eventually imprisoned. The union movement suffered a great deal during this period. Not only did the membership fall drastically but because of the difficulty of free movement, it was not easy to collect membership dues. But perhaps because of the deeply felt need to fight colonialism as a body and perhaps because of the power which many saw in unity, the union movement did survive the emergency; though when the emergency was lifted in 1958, the movement was very weak. After 1958 however, the number of unions and the membership grew very rapidly.

The close association which the unions maintained with the nationalist parties in the fight for independence led to expectations of support from the government in power after independence of the union demands. It seems the unions did not properly understand that the situation of both the unions and the nationalist parties had changed after indgpandenee. While previously both the unions and the political parties were bent on driving out the colonialists from Kenya and could within limits use all weapons at their disposal including trade union pressure to achieve their ends, after the attainment of independence the political parties' role had changed. The new Government had the duty to protect the interests of everybody and wanted to appear as fair as possible to every sector of the community. The Government also wanted as rapid economic progress as possible and was therefore not willing to give the unions the kind of favoured treatment they were looking for. The statement by Tom Mboya sums up neatly the attitude of the Government after independence. He had this to say:

> "these countries (newly independent) are in a hurry to translate independence into something meaningful in the economic sense; politically, too, it is desirable that, as soon as possible after independence, there must be economic reconstruction and economic independence ----. If the trade unions appear to become an unnecessary obstacle in the way of the new governments in this stage of development, they will stand accused either of 'being foreign agents' or imperialist agents, or of being just negative."[1]

Seeking the government's favour in handling their affairs with the employers was what the trade unions wanted and this the Government was not willing to do. Disillusioned by the government's attitude, the unions despite good advice chose to enter their candidates for election to parliament in 1963. This was an attempt to get people sympathetic with their cause into Parliament. The results of the elections were disastrous for the unionists; for none of their sponsored candidates managed to get elected.

There is always the temptation for the new governments to introduce laws to ensure that their programmes are not obstructed by either trade unions or any other body. The challenge of the new Kenya government by the trade unions led to exactly that. In 1965, the government took an opportunity when rivalry between KAWC and KFL was at its worst to de-register both and introduce COTU. As we have seen COTU is almost completely under government control.

1. Tom Mboya "Freedom and After" Andre Deutsch Ltd., p.192.

The Government's close control of COTU and the weaknesses of the union movement in Kenya financially has to a large extent whittled down the effectiveness of the unions to get very high wages for their members. Being poor, unions cannot employ enough qualified people to help them in their negotiations with the employer organisations. Though the labour costs as a percentage of the Gross Domestic Product has remained stable and money earnings of the average employer has been increasing, the real earnings of the average employee has been declining rather sharply especially from 1972, as a result of the inflation Kenya is currently suffering from. Not much weight however can be attached to this because incomes are unequally distributed and only a small proportion of the population have incomes as high as, or higher than, the overall average.

Of the collective agreements that have been registered by the Industrial Court following the introduction of the Wage Guidelines in 1973, we have seen that the utilisation ratios in 1974 were generally higher than those of 1975. Agreements registered in 1974 with the exception of three industries had pay rises which compensated fully for the cost of living rises in the period of the preceeding agreements. The same is not true of those agreements registered in 1975 where not a single agreement had a pay rise equal to or above the rise in cost of living of the preceding agreement. It would seem that a little more pressure from the unions would bring the utilisation ratios nearer to the 100% mark.

On the whole, during the period under examination, money wages seem to have kept pace with the growth in employment to the extent that labour costs as a percentage of the Gross Domestic Product has remained stable. Real Wages however seem to have been declining. It seems the labour force of Kenya have suffered a loss in their purchasing power as a result of the current inflation.

6.2 CONCLUDING REMARKS

While previously the workers perceived the Industrial Court as being independent and fair in its work- after the introduction of the Wage Guidelines, the workers see it as being an executive arm of the government and that it favours employers. Mr. Omido, Chairman General of COTU had this to say about the independence of the Industrial Court:-

> "The Industrial Court does not have enough powers to make independent judgements freely because they have been given certain guidelines which they are expected to strictly adhere to. these guidelines are there to guide the Court not to award so much money to a union or a given individual.
>
> The Court should be left free to make free decisions. We say this because in many cases these guidelines are aimed at protecting the employer at the expense of the employee"[2]

It would seem the incomes policy objective of the government has assumed a higher priority to the Industrial Court than the traditional aim of safeguarding industrial peace. The unions can however do very little about this.

6.3 PROBLEMS FACED IN THE RESEARCH:

The wage guidelines were introduced in late 1973. Only from then did agreements have to be lodged with the Industrial Court. This has meant that only collective agreements for 1974 and 1975 which were available for public consumption have been used in this study. Getting information for the other years has not proved possible.

2. Sunday Nation, July 27, 1976, p.6.

Because the time period under examination has been small, overall trends cannot easily be seen. May be if inflation continues and figures become more readily available a broader study may be attempted.

APPENDIX I

GUIDELINES FOR THE DETERMINATION OF WAGES AWARDS

The deliberations of the Court when giving judgement in a particular trade dispute or when considering the registration of a particular collective agreement, should be guided as follows:-

(1) So long as the economy continues to expand, all sections of the population have a right to expect some regular improvements in their standard of living. Over the years some employees have, however, needed to receive wage increases at a faster rate than the growth of the economy. This situation if allowed to continue unplanned would have the undesirable effect on employees as a group having a relative advantage over other sections of the population particularly small farmers.

(2) It is important that the decisions of the Court should not cause any check to the regular growth of wage employment opportunities in line with the Development Plan targets or cause redundancy in cases where labour becomes less profitable to use than machinery.

This is important because the welfare of all sections of the population will only be improved if there is a significant and regular increase in the number of people in wage employment.

(3) In order to avoid widening inequities and frustrating employment creation, the Court should make sure that on the whole; increases in wages and salaries do not exceed the rate of income growth in the economy as a whole.

(4) The workers' wages should not normally be eroded by price increases. Compensation for price increases other than those caused by increased taxation may be granted, based on the rise of the Nairobi Wage Earners' price Index from the time of the most recent revision of wages and salaries.

Since tax increases must be borne by all members of society, it is not justified to ask that price increase caused by taxation be compensated in the same way as other price increases.

(5) Workers are entitled to a basic minimum standard of living. It will be for the Court to decide what that minimum should be from time to time in each occupation. But in deciding that minimum, it is suggested that the Court should always have regard to the standard of living of people who are not in wage employment, particularly the standards of the average small farmer in the rural areas.

(6) As far as possible, priority in the allocation of awards should be given to lower paid workers provided this does not cause either a contraction in the opportunities for the employment of general unskilled labour or a decline in the incentives for workers to improve the levels of their work skills by training. Reasonable differentials should be established to reward skills and training, particularly as regards manual and technical skills.

(7) The Court should endeavour to prevent increases in wages in one industry leading to increases in wages in another industry less able to afford such an increase. The continual leapfrogging of wage increases from one industry to another will be harmful to the economy. Efforts to bring about equal pay standards for equal work should aim at lifting up those who are below the average rather than lifting the whole group to the position of the highest wage obtainable for that type of job.

(8) Ability to pay higher wages should not necessarily be regarded as adequate and conclusive reason for an increase, if it means that one group of workers will receive awards significantly out of step with those being given to other workers of similar skills.

(9) As far as possible, the Court should endeavour to ensure that higher wages do not lead to higher prices, whether in export industries or industries producing primarily for local consumers. The Court should always bear in mind that rising consumer prices erode the real value of any wage award.

(10) It is suggested that the level of renumeration of any one section of workers should not be reviewed more often than once every twenty-four months. This rule should apply to all awards granted or agreements entered into after these guidelines have been issued. It will not preclude reviews of wages and salaries for groups, which are presently covered by collective agreements of a duration shorter than twenty-four months.

APPENDIX II

CLARIFICATIONS AND AMENDMENTS TO THE WAGE GUIDELINES

In my letter of 29th August, 1973, I set down the Guidelines which the Industrial Court was to follow when determining the wage awards. The main objective of the Guidelines was to ensure that employees working for wages and salaries can acquire a fair share of the national product, while at the same time ensuring that the better organised members of the community do not overcompensate themselves at the expense of the weaker and less organised sections of the community.

In Sessional Paper No. 1 of 1974, the Government has emphasised the importance of continued adherence to those guidelines in the current economic situation. In the light of the rapid and persistent price increases, however, particular attention should be paid to those clauses which allow compensation for price increases. The following points do not replace the Guidelines of 29th August, 1973, but are rather aimed at clarifying their relevance to the present economic situation and, in some instances, increasing their flexibility.

1. Guideline (iii) stipulates that increases in wages and salaries should not exceed the rate of income growth in the economy as a whole. This does not in any way infringe on the workers' rights to claim compensation for price increases. The Guidelines make provision for compensation in respect of price increases in addition to allowing wage increases in pace with the overall per capita growth of the economy, measured in constant prices.

2. Guideline (iv) states that the workers' wages should not normally be eroded by price increases. In cases where an agreement would grant low-paid workers pay increases far below the requirements of this Guideline, the Court should feel free to investigate the reasons. If the Court is not satisfied that the parties have / serious impediment to the growth of employment will be caused by compensating those workers for the price increases, the Court may reject registration with reference to this Guideline.

/ paid sufficient attention to the low-paid workers, and if no

3. Guideline (x) suggests that the level of remuneration of any one section of workers should not be reviewed more often than once every twenty-four months. Whilst the Court should continue to adhere to the principle that remuneration clauses should be binding for at least two years, it should not object to arrangments, whereby the parties voluntarily agree to review the agreement after one year, provided that the revision conforms with Guideline (iv).

APPENDIX III

INTERPRETATION OF WAGE GUIDELINES

In my letter of 29th August, 1973, I set down the Guidelines which the Industrial Court was to follow when determining wage awards and registering collective agreements. A subsequent letter, dated 20th March, 1974, clarified and interpreted those guidelines in the light of the economic situation at the beginning of this year.

Since then, it has become clear that Kenya's economic situation is deteriorating even more rapidly than expected - indeed, to such an extent that the growth of real per capital income projected in the Development Plan 1974-1978 may, at least for the next few years, be turned into stationary and even declining levels of real export prices, and as a consequence, increases in productivity plus some of our real incomes, must for a few years be used to cover the extra cost of the same volume of imports.

In these circumstances, I find it necessary to issue new and more precise directives for the interpretation of the Guidelines. The amendments and directives are given below reference to the clauses contained in my letter of 29th August, 1975, and replace the ones laid down by my letter of 20th March this year.

Guideline (1) Any productivity increase realized during the years 1974 through 1976 cannot be used to justify wage increases, the funds being required to defray part of the extra cost of imports.

Guideline (iv) (a) Compensation for cost-of-living increases will be allowed in full only for the lowest paid groups, i.e. workers earning Shs. 250/- per month or less. A uniformly declining rate of compensation will be granted up to a salary level of SHs.2,000/- per month, beyond which no compensation will be given.

(b) The compensation for price increases should be spread in equal instalments, so that the later year(s) of the contract period are not left without any increase in wages.

<u>Guideline (vi)</u> Wage or salary increases should not exceed 50 shillings per month in any one year. Increases in salaries or fringe benefits should not normally be granted to groups earning more than £1,200 per year. These restrictions do not apply to seniority increments or upgradings according to salary scales established before February 1st, 1975.

<u>Guideline (x)</u> Voluntary revisions after one year of a two-year agreement will be allowed only if the total wage increases during the life of the agreement do not give compensation for price increases up to the limits specified under Guideline (iv) above.