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RESERVE

THE FORMAL INDUSTRIAL TRAINING
SYSTEM AND POLICY IN KENYA:
QUANTITATIVE, QUALITATIVE
AND DISTRIBUTIONAL EFFECTS

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ABSTRACT

An economy requires a labour force with the appropriate levels of skills to perform its main functions. In general, skilled manpower is created by education and training. In 1970 the Industrial Training Act was enacted by the Kenyan Government to make provisions for the regulations of the training of persons engaged in industries and to establish training schemes.

This paper describes the formal industrial training system and training policy in Kenya, its aims and instruments. The paper presents data from a study aimed at determining the effectiveness of the formal industrial training system in achieving its stated objectives. It presents data on quantitative, qualitative and distributional effects of the training system and policy. Data are presented on the number of trainees and the level of training in seven selected industrial sectors, and on the number and characteristics of companies which perform formal industrial training. Data are also provided on the financial situation and on the distributional effects of the levy funds.

1. Introduction

In 1970 the Industrial Training Act was enacted by the Kenyan Government to make provisions for the regulations of the training of persons engaged in industries and to establish training schemes. The aim of the training policy was to improve both the quantity and the quality of industrial training. Further, to ensure a more equal share of training costs between firms and to promote training within the private sector of the economy.

The two main instruments by which these aims are to be achieved are

- a. the tripartite and hierarchical organisations of the National Industrial Training Council, the Industrial Training Committees and Sub-Committees and
- b. the Training Levy Funds

The purpose of this study is to determine the effectiveness of the formal industrial training system in achieving its stated objectives. The paper presents data from a study on some results and effects of the formal training system. Data are presented on the number of trainees, and on what level that have been trained in seven selected industrial sectors during the period of 1979 to 1985. The number of companies involved in formal training and their characteristics in terms of size (number of employees) and ownership was also studied. Data are provided on the distributional effect of the Levy Funds.

2. Literature Review

"The three basic resources necessary for economic development are financial resources (money), physical resources (material) and human resources (manpower). Although all three are closely related and mutually dependent in the process of economic development, manpower appears to be the most fundamental resource. A country with rich natural resources and ample financial resources cannot necessarily achieve steady economic development if it does not have enough manpower to utilize and develop them. A country with well educated manpower has a chance to obtain economic success, even if it has poor natural resources" (Inoue, 1985, p. 1).

With this statement Inoue is referring to the important role that vocational education and training and manpower development have played in the context of Japan's economic development.

The importance of industrial training has been recognized by many economists. Shultz (1951) pointed out the important role of human capital in the fast reconstruction of Europe after World War II, and in the economic development process of the United States of America. Concerning developing countries he considers a shortage of skilled manpower as a bottleneck that may hinder economic growth and development. Many other authors assert that industrial development and economic growth in developing countries have lagged behind due to the under-supply of qualified manpower. Collier and Bigsten (1980) state that "human capital represents a more powerful and less tractable constraint upon the growth of the non-agricultural sector than physical capital...". Bowman (1980) defines development in terms of a dynamic and innovative process; the essence of developing man and woman is a readiness and ability to adapt to changes and to grasp or to create new opportunities. This attitude and ability is promoted by education and training. Mikkelsen (1983) describes the importance of skilled manpower and training in directing independent technological innovations and controlling the industrial development process of a country. A lack of qualified manpower means losing control or hampering that process.

An economy requires a labour force with the appropriate levels of skills to perform its main functions. The demand for various levels of skills depends on the state of development of the economy, its structure and rates of growth. As the economy becomes more complex and diversified in the development process it needs different types of skills in greater or lesser quantities.

In general, skilled manpower is created by education and training and they are at the center of human resource development. Education involves the acquisition of general knowledge and the development of basic mental ability. Training on the other hand means the development of specific skills which are needed to perform a particular job or series of jobs. The training system is more specifically oriented to the production of the skills required in the economy (Harbison, 1961). Industrial training is defined as vocational and technical training which prepares individuals for employment in an industrial occupation. The training system is, in contrast to the general education system, more specifically oriented to the development of skills required in the economy. Here the laws of supply and demand apply in determining the types, levels and quantities of skills that the training system produces. The objective of training can vary from country to country and from time to time. In many countries it has been the process of industrialization that has stimulated the growth of technical education and vocational training.

Types and Methods of Training

According to Zymelman (1976, pp.9-11) and Inoue (1985) training in industry can be classified as follows:

a. On-the-job training, both formal and informal

On-the-job training is an important method of employee education and training in a company. The advantage of on-the-job training is that it can be performed individually based on the employee's educational background and the trainee acquires the skills and knowledge which are directly related to her/his job.

b. Training off the job or institutional training

Institutional training can be defined as vocational education and training based on a systematic curriculum for a certain period in a certain class. Institutional training is provided in public training institutions, private training institutions, formal education institutions, and private training schools of a firm or a group of firms.

c. Combination of both types of training

Apprenticeships embody combined training including instructions off-the-job and on-the-job training; on-the-job training with some related instructions and formal institutional education with requirements of practical work in companies.

3. The Formal Industrial Training System In Kenya

3.1. Historical Development

In the earlier stages of Kenya's industrial development, training for industry was controlled by the Industrial Training Ordinance of 1958, being intended to provide the skilled manpower needs of industry. After Kenya's political independence, an ILO survey on the country's manpower training requirement and training facilities was carried out, the Report was published in 1965. One consequence was the establishment of a trade testing system and of the Nairobi Trade Testing Centre. In 1968 a plan of operation for a National Industrial Vocational Training Centre (NIVTC) was signed by the Kenyan Government with the ILO. The ILO project was to assist Kenya in the establishment of a national program of industrial training.

In 1970 the Kenyan Government enacted the Industrial Training Act "to make provisions for the regulation of the training of persons engaged in industries" and to establish training schemes under the Directorate of Industrial Training in order to "encourage and to assist industries in their training effort" (The Industrial Training Act, 1983). In 1971 the National Industrial Training Council (NITC) was created under the Act and an Industrial Training Levy was established. "Any group of employers with mutual interest in training will be permitted to organize themselves and nominate a Board to plan and operate a training scheme financed by a levy on themselves. (Development Plan 1970-1974, p. 123).

In 1979 the Curriculum Development, National Co-ordination Services and Technical Support Branch of the Directorate of Industrial Training was established. This branch, with the assistance of UNDP/ILO, developed the Kenya Integrated Training System (KITS). KITS embraces all industrial training, the principal components of which are:

- the Indentured learner system (operatives)
- the Craft Apprentice system (skilled workers)
- the Technician Apprentice system (technicians and supervisor)
- the system of National Trade Tests
- institutional training (national training centres, technical schools, Polytechnics, KTTI)
- KITS training materials
- other learning materials

3.2. Organisation Under The Industrial Training Act

The Industrial Training Act represents the legislative foundation for the industrial training system. The two basic establishments under the Industrial Training Act are the Directorate of Industrial Training (DIT) within the Ministry of Labour and the National Industrial Training Council (NITC). "The DIT and the National Industrial Training Council play important roles in assisting and monitoring training activities undertaken to serve the private sector" (Development Plan, 1979-1983, p. 489).

Within the training system the NITC is the body which represents policy, makes final decisions and approvals. It has authority to approve new Training Schemes and Levy Orders. The NITC forms Industrial Training Committees and creates Sub-Committees for each of the 11 sectors of the Industry. The Industrial Training Committees recommend to the NITC the formula for levying its industry, the types and amounts of fees and costs for refunding and the amount of fixed training grants. The technical Sub-Committees are to identify training needs and, in co-operation with the DIT, establish training syllabi and programmes.

NITC (legislative body)
 I
 Industry Training Committees
 I
 Technical Sub-Committees

The DIT was established in 1971 under the Industrial Training Act to administer, coordinate and promote industrial training. The DIT is responsible to the NITC and acts as its executive body.

DIT (executive body)
 I
 I
 I
 Training Administration of Curriculum Development
 Trade Testing Industrial Training National Co-ordination
 Certification Levy Technical Support

There are three major functions of the DIT:

1) It is the responsibility of the DIT to provide training programmes and facilities for the private and public sector of the industries. It has to organize and coordinate training courses for craft apprenticeships, technician apprenticeships, indentured learnership and skill improvement courses, and it has to supervise training programmes performed within companies (inspection of in-plant training) and within the Training Centres, both the NIVTC and company-operated Training Centres.

A further function of the DIT is the Trade Testing and Proficiency Testing to standardize the measurement and certification of skills. The Trade Testing System grades craft skills from Grade III (lowest) to Grade I for an "Artisan". Each person who has the theoretical and practical skills can participate in the trade testing. The Proficiency Testing is related to the training function of the DIT in course of the formal apprenticeships and courses.

2) The DIT is responsible for the administration of the Levy Fund, the actual issuing of levy orders, maintenance of accounts, collection and disbursements of the levy funds.

3) The third branch of the DIT is the Curriculum Development, National Coordination and Technical Support System, which, with assistance from the UNDP/ILO implemented the RITS. This is a

unique system that starts with an occupational analysis to determine the workforce required. Next, detailed job specifications for each position are developed. Training programmes and materials are designed, followed by the implementation of the programme, the validation of its effectiveness and feedback into the system. The training programme design is based on the ILO's Modules of Employable Skills (MES) concept which the Government has adopted for all future curriculum development in technical training, wherever applicable.

4. Government Policy Towards Industrial Training

In the Development Plan (1974-78, p.443), a general summary of the Government's policies on training is provided. Concerning industrial training the objective is to train and continuously upgrade a modern industrial labour force and a cadre of medium and high level managers. The aim is to increase both the quantity and the quality of training. An adequate supply of trained manpower at all levels in industry and the greatest possible improvement in the quality and efficiency of industrial training is to be ensured. A third aim is the sharing of costs of training between the employers and thus the reduction of the risk of training.

According to Kenya's Development Plans, more responsibility for training will be given to private companies. "The Government will continue to encourage training programs conducted by private firms" (Development Plan 1974-78, p.443) and "...to encourage companies in the private sector to train beyond their own staff requirements". "There will be a greater Government regulation of private sector training to ensure harmonization between the interests of industry, the requirements of the individual and the needs of the economy" (Development Plan 1979-83, p.489).

There are two main establishments within the training system to reach the aims of Government Policy. The aims are to improve the quantity and quality of training, ensure a more equal share of training costs between the firms and promote training in the private sector.

The two bodies are:

- a) the tripartite and hierarchical organisation of the National Industrial Training Council, Industrial Training Committees and Sub-Committees and
- b) the Industrial Training Levy Fund.

a) Tripartite Organisation

As described before, the NITC is the legislative body in the training system that makes the final decisions and approvals. The NITC has formed 11 industrial sectors and has set up an Industrial Training Committee for each sector. Each ITC creates a technical Sub-Committees which are supposed to identify the training needs of the industry. In addition to the 11 ITCs of the industrial sectors, an ITC was established which deals with the management training in all industries. Each of these three bodies in the hierarchy is a tripartite, with representatives from the Government (DIT), employees (Trade Unions) and employers (Federation of Kenya Employers).

The employer representatives are expected to establish a direct communication with the labour market and show the training needs of the industry and ensure a fast adjustment of training programs to changes in training needs. For it is a crucial factor in manpower development that the quality of training is consistent with the needs of the industry. The NITC is also taking action to promote training within private industry by providing information to private firms on the benefits of training and the provided training courses and programs by the distribution of pamphlets, advertisements in the media and by sending out training inspectors.

b) Training Levy Fund

In addition to the ITC there is a Training Levy Fund for each of the 11 industrial sectors. Each company registered in the fund has to pay levy according to the formula of its industry. Reimbursement for some of the training cost is given for approved in-plant and in-centre training programs. The levy fund covers craft apprenticeship, technician apprenticeship, indentured learnership, skill improvement courses and management and supervisor courses. The Industrial Training Levy covers systematic and formal training within the modern formal sector, both in-plant and in-center. The levy system intends to promote the training of firms and to give them more responsibility for the development of skilled manpower. Therefore, all trainees in the approved training programs have to be sponsored by employers.

Poaching (externalities) as an obstacle to training

The employers' main argument for not providing training is that of 'poaching' (externalities). To meet its need for skilled manpower, every company has the option of training unskilled labour or upgrading skilled manpower, recruiting already trained labour from outside (poaching) or a mixture of both. By poaching the costs of training are avoided but search and recruitment

costs appear. Both costs are positively related to skill level and poaching occurs if the training costs exceed the search and recruitment costs. Firms that poach inflict costs on training firms which now face higher average costs because they lose newly trained workers to the poaching firm. This fact discourages training firms, and reduces their training activities in quantity and/or quality.

The underlying principle of the levy-grant system:

Firms that do little or no training, but instead recruit skilled labour trained by others should contribute to the costs incurred by those firms that did train in substantial numbers. Firms that do train will be compensated for, and encouraged to increase their training of manpower. Thus the risk of training, i.e. investing in training and losing the skilled worker before having regained the benefits, will be reduced. As a result the average costs of training will decrease for the training firm and the quantity and/or quality of training may rise. Companies that haven't trained thus far may have an incentive to train in order to get back a part of the paid training levy. The Development Plan (1970-74, p.122) points out the need to "...provide for an industrial training levy system whereby employer training costs will be more equitably shared by employers".

In addition to the ITD there is a Training Levy Fund for each of the 11 industrial sectors. Each company registered in the fund has to pay levy according to the formula of its industry. Reimbursement for some of the training cost is given for approved in-plant and in-center training programs. The levy fund covers staff apprenticeship, technical apprenticeship, industrial leadership, skill improvement courses and management and supervisor courses. The industrial training levy covers systematic and formal training within the external formal sector, both in-plant and in-center. The levy system intends to promote the training of firms and to give firms some responsibility for the development of skilled manpower. Therefore, all firms in the approved training programs have to be sponsored by employers.

Poaching (retraining) as an obstacle to training

The employer's main argument for not providing training is that of poaching (retraining). To meet the need for skilled manpower every company has the option of hiring already trained labour or upgrading skilled manpower. Retraining already trained labour from outside (poaching) is a matter of fact. By poaching the costs of training are avoided but search and recruitment

5. Data on Results and Effects of the Described Formal Industrial Training System and Training Policy

The Government Policy aims to promote formal industrial training by the established training system and the levy funds. The industrial training system consumes a lot of resources both from the Government and the companies. The Government provides training facilities and runs training courses. Private industry contributes large amounts of money to the training levy funds.

This paper presents some data from a study of the formal training system and its success in promoting industrial training and giving incentives to companies. The study focused on the number and type of companies that are actually involved in formal industrial training and on the quantity and level of training which is provided by these companies. The distributional effect of the levy funds was also of interest. Data were collected on the reimbursement of the levy and the companies that actually received the refunds.

5.1. Methodology

The Industrial Training Act has identified 11 industrial sectors. These are Motor Engineering, Transport and Allied Industrial (MET); Banks and other Financial Institutions; Textile and other Allied Industries (TEX); Saw Milling, Timber, Furniture and Allied Industries; Food Processing and Allied Industries (FOOD); Printing, Publishing, Paper Manufacturing and Allied Industries (PRINT); Engineering and Allied Industries (ENG); Chemical Manufacturing, General Processing and Allied Industries (CHEM); Commercial, Distributive and Allied Trades and Industries (COMM); Plantation, Agriculture and Allied Industries; Building, Construction, Civil Engineering and Allied Industries.

Out of these 11 sectors the author selected 7 sectors for the purpose of her study. These are MET, TEX, FOOD, PRINT, ENG, CHEM, and COMM. The selection criteria were the size of the sector and the financial situation of the levy fund. Data were collected for each of the 7 sectors. A separate analysis allows a comparison of the results in the different industries. To get a reliable number of figures, data was collected for the period of 1979 to 1985.

Data presented in this paper was mainly collected at the Directorate of Industrial Training, National Industrial Training Council, Federation of Kenya Employer, other employer organisations, companies, Ministry of Industry and Commerce, Industrial and Commercial Development Corporation (ICDC) and the Central Bureau of Statistics (CBS).

5.2. Quantity and Level of Training in the Formal Training System

5.2.1. The companies

One aspect of quantity in training is the number of companies which are actually involved in the formal industrial training system. In every sector those companies have been recorded which have been active in training at least once during the period of 1979 to 1985, either in training of craft apprentices, technician apprentices, indentured learners, management staff or sponsors overseas training.

These training companies are only a fraction of the DIT-registered companies. All companies in the economy which qualify for registration in one of the industrial sectors are supposed to register at the DIT and to pay the training levy according to the levy formula of its industry.

The number of companies which are actually registered at the DIT has to be seen in relation to the qualifying companies in the economy. The annual enumeration of establishments of the CBS is done according to the International Standard Industrial Classification, which classifies the establishments according to their economic activities. As the Industrial Training Act lists comprehensively the activities which qualify a company for a certain industrial sector, the number of companies in the economy that are to be related to each sector could be calculated. As only companies with more than 4 employees have to be registered with the DIT, only establishments with more than 4 employees were considered from the CBS data as well.

Table 1 presents the figures for the 7 selected industrial sectors on the total number of establishments according to the CBS, the number of companies which are registered at the DIT, the number of companies which actually train and finally the percentage of training companies of the DIT-registered companies.

According to table 1, the DIT was rather successful in registering companies. Though the companies are obliged to register at the DIT and to pay the training levy as soon as they fulfill the requirements, some try to avoid registration and the levy payment. Levy inspectors were sent out to reach these companies. In the Motor Engineering and Transport Sector and in the Commercial Sector the rate of registration is only around fifty percent.

Table 1 Number of companies in the industrial sectors

| | TOTAL | REGISTERED AT DIT | FORMAL TRAINING | PERCENTAGE OF TRAINING TO REGISTERED |
|-------|-------|----------------------|--------------------|--|
| TEX | 211 | 178 | 35 | 20 |
| PRINT | 212 | 202 | 32 | 16 |
| FOOD | 258 | 247 | 42 | 17 |
| CHEM | 400 | 387 | 74 | 19 |
| MET | 798 | 452 | 91 | 20 |
| ENG | 577 | 468 | 146 | 31 |
| COMM | 2083 | 955 | 64 | 07 |

The number of companies that were involved in industrial training at least once during the last 7 years is rather small. The absolute figures show that only a limited number of companies were actually involved in formal training, especially when it is considered that the period covers 7 years. If the companies which have trained only one person during this period are subtracted, there remains only 24 companies in Textile, 24 in Printing, 34 in Food, 63 in Chemical, 58 in Motor Engineering, 94 in Engineering and 43 in the Commercial sector.

The percentage of the training companies out of the registered companies shows that the Engineering Sector has the highest rate, whereas in the Commercial Sector only 7 percent of the levy paying companies do training. In the remaining sectors about 20 percent of the levy paying firms are involved in training.

What are the characteristics of the companies which are actually doing formal training? They were characterized by their size according to the number of permanent employees and by their ownership.

Size

The companies were classified into 7 size groups. An additional class was formed where all organisations, co-operatives and Departments of Ministries are included. They are also registered at the DIT and refunded for training.

Table 2 shows the size distribution of the companies. In the Motor Engineering and Transport, Engineering and Commercial sectors, the largest group is formed by companies having between 5 and 20 employees. Companies which employ less than 50 employees are considered to be small-scale industries. According

to this definition, 42 percent of the training firms in the Motor Engineering, 46 percent in the Printing and 57 percent in the Engineering belong to the small-scale sector of the economy. In the Textile and Food sectors about 10 percent and in the Chemical sector 17 percent can be grouped in the small-scale sector. In these two sectors the largest group of companies is formed by the group with 100 to 250 employees. Group 0 figures the percentage of the co-operatives and Ministries out of the total number of training companies and organisations.

Table 2
Size Distribution of the Training Companies

| NUMBER OF EMPLOYEES | TEX | PRINT | FOOD | CHEM | MET | ENG | CONN |
|---------------------|-------|-------|-------|-------|-------|-------|-------|
| 0*) | --- | 4.35 | 4.16 | 2.34 | 7.28 | 5.08 | 6.60 |
| 5-20 | 4.88 | 15.22 | 8.33 | 8.45 | 26.36 | 45.21 | 26.21 |
| 21-50 | 4.88 | 30.43 | 2.08 | 9.34 | 15.43 | 11.86 | 16.05 |
| 51-100 | 14.63 | 17.39 | 14.58 | 17.78 | 10.00 | 10.73 | 20.45 |
| 101-250 | 29.27 | 17.39 | 52.08 | 36.14 | 10.92 | 16.38 | 17.05 |
| 250-500 | 7.32 | 10.87 | 6.25 | 14.43 | 13.63 | 5.66 | 5.68 |
| 500-1000 | 21.95 | --- | 4.17 | 6.77 | 9.09 | 1.69 | 4.55 |
| >1000 | 17.07 | 4.35 | 8.35 | 4.65 | 7.29 | 3.39 | 3.41 |
| | 100 | 100 | 100 | 100 | 100 | 100 | 100 |

*) Department of Ministries, Co-operatives

Ownership

Four types of ownership have been distinguished. The companies were considered to be either

- a. Public: when the Government controls more than 50 percent of the shares
- b. Locally owned: when more than 50 percent is controlled by Kenyan citizens
- c. Foreign owned: when more than 50 percent is controlled by Non-Kenyan citizens
- d. Co-operatives and Ministry Departments

The information on the ownership was received from various embassies, Ministry of Commerce and Industry, the ICDC and directly from the companies.

Table 3 indicates that in the Motor Engineering, Textile, Printing and Engineering sector the locally owned companies form the largest group. In the Food and in the Commercial and Distributive sector the foreign owned and locally owned companies are about the same number, whereas in the Chemical sector 62.79 percent of all training companies are foreign owned. In the Textile and Food Processing sector around ten percent of formal industrial training is performed by public companies. In the Motor Engineering and Transport sector the Ministry Departments and co-operatives are training more than seven percent of the trainees.

Table 3
ownership distribution of the companies

| ownership | TEX | PRINT | FOOD | CHEM | MET | ENG | COMM |
|-------------|-------|-------|-------|-------|-------|-------|-------|
| public | 9.75 | --- | 10.41 | 6.79 | 4.55 | 2.82 | 7.95 |
| local | 53.65 | 54.35 | 43.75 | 29.00 | 61.82 | 62.71 | 29.00 |
| foreign | 31.71 | 41.30 | 41.67 | 62.79 | 26.36 | 31.07 | 40.97 |
| Min./Co-op. | --- | --- | 4.16 | 1.16 | 7.27 | 3.39 | 5.68 |

5.2.2. The Trainees

A further aspect of the quantity of training is the number of trainees and the level at which they were trained.

The initial intention in the establishment of the formal training system and the levy fund was to promote training at the crafts and technician level. Since 1976 training on management level is also reimbursable. Training overseas is also covered if there is no equivalent course offered in Kenya.

Table 4 shows the number of people who have been formally trained in the 7 selected sectors between 1979 and 1985. For management training, data were only available for the period 1983-1985. Only 33.1 percent of all training is done on the crafts and technician level, which was the initial target group of the formal training system. Though the figures for management training cover only 3 years, together with overseas training, it counts for 66.9 percent.

Table 4
Number of Trainees on Different Levels, 1979-1985

| | Number of Trainees | Percentage | Annual Average |
|---------------------------|--------------------|------------|----------------|
| Indentured Learners | 1800 | 15 | 257 |
| Craft Apprenticeship | 2440 | 20 | 349 |
| Technician Apprenticeship | 992 | 08 | 142 |
| Management Training *) | 6467 | 53 | 2156 |
| Overseas Training | 459 | 04 | 66 |
| Total | 12158 | 100 | 2970 |

*) Data covers only the period of 1983-1985

In the following, figures are split for the 7 sectors in order to see the difference in the training activities in the various sectors.

Table 5 provides data on the quantity and level of training in each sector. In the Food, Commercial, Chemical and Printing sector more than 70 percent of all training was done in management training and less than 4.5 percent in the technical training. In the Motor Engineering and Engineering sector craft and technician training accounts for about 76 percent. The Engineering sector has the highest recruitment of technician apprentices. Between 1979 and 1985 it recruited 355 technician apprentices which is 36 percent of all the training on this level in the 7 industrial sectors. The Textile industry is notable for the high recruitment of indentured learners, the lowest level of training which less than six months.

 Table 5
 Quantity and Level of Training in each Sector, 1979-1985
 In Percent

| | TEX | PRINT | FOOD | CHEM | NET | ENG | COMK |
|-------------------|------|-------|------|------|------|------|------|
| Indentured L. | 58.8 | 4.3 | -- | -- | -- | 1.4 | -- |
| Craft Appr. | 5.9 | 12.3 | 7.8 | 8.6 | 61.4 | 46.5 | 0.9 |
| Technician Appr. | 5.4 | 4.3 | 4.6 | 3.8 | 14.2 | 28.7 | 0.3 |
| Managment Train. | 26.4 | 67.5 | 83.4 | 80.3 | 23.7 | 20.9 | 96.2 |
| Overseas Train. | 3.5 | 11.6 | 4.2 | 7.3 | 0.7 | 2.5 | 2.6 |
| Total | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| Craft/Techn. App. | 27.1 | 17.5 | 12.4 | 12.4 | 75.6 | 76.3 | 1.2 |
| Manag./Overseas | 72.9 | 82.5 | 87.6 | 87.6 | 24.4 | 23.7 | 98.8 |

5.2.3. Training Activities and Size of Companies

In the previous chapter, the absolute number of companies and trainees involved in the formal industrial training system for every sector has been provided. Of course, the larger companies train more than the smaller do in absolute terms. The author was interested if this holds true in relative terms, too. Is there a difference in the amount or level of training between the companies, if the number of trainees is related to the number of employees?

Table 2 showed the size distribution of the training companies. In the following the number of trainees in the different size groups was set in relation to the number of employees of the companies in the corresponding size group.

Table 6 shows the relation of the number of trainees to the number of employees for each size group of the 7 industrial sectors. The trainees were grouped into two levels: craft and technician training (C/T) and management and overseas training (M/O).

Table 6
Relative quantity of training
Relation of number of trainees to number of employees in each
size group
In 1/1000

| | TEX | | PRINT | | FOOD | | CHEM | |
|----------|-----|-----|-------|-----|------|-----|------|-----|
| | C/T | M/O | C/T | M/O | C/T | M/O | C/T | M/O |
| 5-20 | 0 | 50 | 20 | 41 | 0 | 210 | 20 | 250 |
| 21-50 | 0 | 50 | 4 | 128 | 0 | 110 | 4 | 50 |
| 51-100 | 2 | 12 | 2 | 25 | 0 | 90 | 5 | 110 |
| 101-250 | 2 | 10 | 4 | 157 | 4 | 110 | 5 | 90 |
| 251-500 | 3 | 154 | 5 | 17 | 8 | 40 | 3 | 140 |
| 501-1000 | 4 | 4 | - | - | 37 | 190 | 24 | 80 |
| >1000 | 20 | 50 | 15 | 6 | 90 | 40 | 8 | 12 |

Table 6 cont.

| | MET | | ENG | | COMM | |
|----------|-----|-----|-----|-----|------|-----|
| | C/T | M/O | C/T | M/O | C/T | M/O |
| 5-20 | 314 | 4 | 343 | 25 | 50 | 45 |
| 21-50 | 16 | 10 | 53 | 21 | 9 | 230 |
| 51-100 | 17 | 8 | 17 | 16 | 0.7 | 150 |
| 101-250 | 14 | 23 | 6 | 29 | 0.4 | 50 |
| 251-500 | 18 | 24 | 24 | 7 | 0.6 | 370 |
| 501-1000 | 29 | 15 | 7 | 3 | 0 | 9 |
| >1000 | 5 | 5 | 28 | 4 | 0.4 | 69 |

C/T: Craft and technician training
M/O: Management and overseas training

Two cases are considered:

a. Small-scale companies compared to large-scale companies

Companies with less than 50 employees are compared to all these training companies which employ more than 50 people. Table 7 shows that the small-scale companies in the Motor Engineering and Transport and in the Engineering sector do more training on the craftsmen and technician level in relative terms than the

larger companies do. They train 4 and 4.8 times as much. This number is also very high in the Commercial and Distributive Sector, but craftsmen and technician training is only 1.1 percent of its total training activities. More Management and Overseas training is done by the large-scale companies both in absolute and in relative terms.

Table 7. Number of trainees in relation to employees in small-scale and large-scale companies

| NUMBER OF EMPLOYEES | TEX | | PRINT | | FOOD | | CHEM | |
|---------------------|------|------|-------|------|------|-----|------|------|
| | C/T | M/O | C/T | M/O | C/T | M/O | C/T | M/O |
| 5-50 | .024 | .169 | .024 | .169 | .024 | .32 | .024 | .13 |
| >50 | .031 | .230 | .027 | .335 | .139 | .47 | .045 | .432 |

Table 7 cont.

| NUMBER OF EMPLOYEES | MET | | ENG | | COMM | |
|---------------------|------|------|------|------|------|------|
| | C/T | M/O | C/T | M/O | C/T | M/O |
| 5-50 | .330 | .014 | .396 | .046 | .059 | .275 |
| >50 | .083 | .085 | .082 | .059 | .002 | .647 |

C/T: Craft and technician training
 M/O: Management and overseas training

b. Companies with less than 250 employees compared to those with more than 250 employees.

This size was chosen to make a more useful distinction for the management training. Are the larger companies doing more training in management than the smaller ones when the number of trainees in relation to the number of employees is considered?

According to table 8, the companies in the group with less than 250 employees do more management training which is approved and refunded by the training levy than the companies with more than 250 employees when considered in relative terms. This is true for the Food, Chemical, Engineering and Printing sectors. In the Motor Engineering and Transport sector, the Textile sector and the Commercial and Distributive sector the management training in relative terms is about the same.

The craft and technician training is done relatively more by the smaller companies in the Motor Engineering and Transport and Engineering sector as already seen in the small-scale sector and there is almost no difference in the Chemical and Printing sector.

Table 8
Number of trainees in relation to employees in the size group of 5-250 and in the group with more than 250 employees

| NUMBER OF EMPLOYEES | TEX | | PRINT | | FOOD | | CHEM | |
|---------------------|------|------|-------|------|------|------|------|------|
| | C/T | M/O | C/T | M/O | C/T | M/O | C/T | M/O |
| 5-250 | .004 | .122 | .03 | .351 | .004 | .520 | .034 | .5 |
| >250 | .027 | .154 | .021 | .023 | .135 | .27 | .035 | .232 |

Table 8 cont.

| NUMBER OF EMPLOYEES | MET | | ENG | | COMM | |
|---------------------|------|------|------|------|------|------|
| | C/T | M/O | C/T | M/O | C/T | M/O |
| 5-250 | .361 | .045 | .419 | .091 | .061 | .475 |
| >250 | .052 | .044 | .059 | .014 | .001 | .447 |

C/T: Craft and technician training
M/O: Management and overseas training

5.2. Distributional Effect of the Training Levy Fund

The training levy fund was established to promote industrial training and to share the costs of training more equally among the companies of an industry. The first levy fund was established in 1971, the last one in 1980. Large amounts of money have been collected since then. Some funds have accumulated large sums as the industry hasn't performed much training which is to be refunded by the levy fund. Some funds are short of money and for years they have not been able to pay the refunds claimed. Appendix 1 shows the financial situation of the different levy funds.

The training levy is to be paid by all companies which are registered at the DIT. The amount of levy to be paid depends on the number of permanent employees and the levy formula which differs between the various industrial sectors. Many small companies pay the levy like a tax. For various reasons they never train people in the formal training system and therefore never claim any reimbursements.

The question is which companies actually get the money of the levy fund. For the period of 1979 to 1985, the refunds being given to the companies and to Ministries and Co-operatives were recorded and analysed. The companies are grouped by their size according to the number of employees.

Table 9 shows the refunds received by the companies in the different size groups.

Table 9 Refund of training levy according to the size groups of companies In Thousand of KShs

| SIZE GROUP | TEX | PRINT | FOOD | CHEM | NET | ENG | COMM |
|-------------|---------|--------|---------|--------|--------|---------|--------|
| 5-20 | 0.7 | 207.9 | 306.9 | 63.8 | 233.3 | 909.6 | 196.2 |
| 21-50 | 77.2 | 356.6 | 29.3 | 60.4 | 136.8 | 270.9 | 731.2 |
| 51-100 | 162.4 | 70.7 | 77.2 | 713.1 | 128.7 | 847.1 | 446.9 |
| 101-250 | 136.9 | 1707.2 | 2440.1 | 2713.8 | 418.1 | 3326.7 | 490.4 |
| 251-500 | 480.2 | 1403.4 | 211.2 | 3140.9 | 3542.2 | 616.4 | 1250.0 |
| 501-1000 | 3679.6 | --- | 4419.0 | 5158.1 | 2044.6 | --- | 134.4 |
| >1000 | 22118.3 | 1719.9 | 12616.9 | 1032.1 | 1894.3 | 12574.6 | 993.4 |
| Min./Co-op. | 0.7 | 446.3 | 3037.0 | --- | 3449.9 | 1097.9 | 1606.3 |

The amount of levy which was refunded to the Ministries and Co-operatives is rather high in sectors where they get a refund. In the Motor Engineering and Transport and in the Commercial sector more than 27 percent of refunds have been paid to this group. In the Food and Printing sector only 13.2 and 7.6 percent have been refunded, respectively.

Table 10 shows the figures for the cumulative percentage of the numbers in table 9. The tabulation begins with the size group >1000 and goes down to the group of 5-20 employees. The first line shows what percent of the levy refunds the companies with more than 1000 employees received. Correspondingly, the second line shows what percent of the levy refunds have been given to the companies which have more than 500 employees.

The companies with more than 500 employees are to be considered now. In the Textile sector 13 companies belong to this group. These companies received 96.7 percent of all the refunds being paid from 1979 to 1985 by the levy fund. This comes to an amount of 25,797,923 KShs. If one considers only the 6 largest companies that employ more than 1000 people, one finds that they received 82.9 percent of the refunds, a sum of 22,118,293 KShs. In the Food sector the 6 companies with more than 500 employees have received 73.7 percent of the refunds and the one company in that size group in the Printing sector received 29.1 percent. In the Engineering sector the 4 largest firms received 64.1 percent of the refunds. In the Motor Engineering and Transport sector and in the Chemical sector more companies are involved in this size group. Seventeen companies in the Chemical sector have received 48.1 percent of the refunds, whereas in the Motor Engineering sector, 16 companies have been paid 33 percent.

The small-scale companies (less than 50 employees) account for 15.9 percent of the refunds in the Commercial and Distributive sector and for 9.5 percent in the Printing sector, however in all other sectors refunds have not been more than 5.9 percent.

Table 10
Cumulative percentage of levy refund according to the size groups

| | TEX | PRINT | FOOD | CHEM | MET | ENG | COMM |
|-------------|-------|-------|-------|-------|-------|-------|-------|
| >1000 | 82.9 | 29.1 | 54.6 | 8.1 | 15.9 | 64.1 | 16.9 |
| 501-1000 | 96.7 | --- | 73.7 | 48.1 | 33.2 | --- | 19.2 |
| 251-500 | 98.5 | 52.8 | 74.6 | 72.5 | 63.1 | 67.3 | 40.6 |
| 101-250 | 99.0 | 81.7 | 85.1 | 93.5 | 66.6 | 84.2 | 49.0 |
| 51-100 | 99.6 | 82.9 | 85.4 | 99.0 | 67.7 | 88.6 | 56.6 |
| 21-50 | 99.9 | 88.9 | 85.5 | 99.5 | 68.9 | 89.9 | 69.1 |
| 5-20 | 100.0 | 92.4 | 86.8 | 100.0 | 70.9 | 94.5 | 72.5 |
| Min./Co-op. | --- | 100.0 | 100.0 | --- | 100.0 | 100.0 | 100.0 |

5.4. Summary

The aims of the formal industrial training system are to improve the quality of training, give incentives to companies to increase the quantity of training and to ensure a more equal share of the costs between the companies.

The quantity of training was measured by the number of companies and the number of trainees in 7 selected industrial sectors. In these 7 sectors, a total of 2889 companies are registered at the DIT. Only 474 companies have been involved in formal industrial training between 1979 and 1985, which is 16.5 percent of the registered firms. The training levy fund does not seem to be an incentive to do training for the remaining 83.5 percent of the companies. Companies consider the levy as a tax and they are reluctant to pay as a long list of defaulters proves. Smaller companies which sponsored training in the past become frustrated because of the irregular refunding due to the shortage of money in the funds. Many large-scale companies have their own training schools and it seems that they do training irrespective of the levy fund. The levy refund might however be an incentive for them to train some more people than they would otherwise.

The total number of trainees in the 7 sectors during the period of 1979 to 1985 was 12158, whereas only 3432 have been trained at the craft and technician level, the initial target group of the training system. Though data are available only for the period of 1983 to 1985 for management training, 6467 people have been trained at that level. Since 1983 management training institutes have mushroomed. As management training courses are very expensive some companies have found ways to get high refund sums from the levy fund. In the Textile sector 59 percent of all training is done in the form of indentured learnerships which comprise brief and low-level training. But the costs are reimbursed and some companies received millions of KShs as a result of this type of training.

Considering the distributional effect of the levy fund, there seems to be a redistribution from the small to the large companies. All companies which are registered at the DIT are obliged to pay training levy. But a few companies in every sector with more than 500 employees have received enormous refunds. Small-scale companies, with less than 50 employees, account for an average of only 5.4 percent of the refunds.

The author has presented data on the quantitative, qualitative and distributional effects of the formal industrial training system. The data will be analyzed and interpreted to draw conclusions. Interviews and discussions with personnel at selected companies, training institutes, the DIT, the Ministry of Labour and with other people involved in industrial training will be used to put the data collected in its proper context.

Appendix 1

Financial Situation of the Levy Funds

| Industry | Levy Fund Balance as on 31.12.1985 | Outstanding Claims as on 3.1986 |
|---|------------------------------------|---------------------------------|
| 1. Motor Engineering, Transport and Allied Industries | 1,061,72 | 7,615,757 |
| 2. Banks and other Financial Instit. | 16,294,369 | |
| 3. Textile and other Allied Industries | 30,439,524 | |
| 4. Saw Milling, Timber, Furniture and All. Ind. | 14,030,775 | |
| 5. Food Processing and Allied Industries | 2,302,748 | 7,877,329 |
| 6. Printing, Publishing, Paper Manufact. and Allied Industries | 3,774,791 | |
| 7. Engineering and Allied Industries | 7,143,736 | |
| 8. Chemical Manufacturing, General Processing and Allied Industries | 27,225,064 | |
| 9. Commercial, Distributive and Allied Trades and Industries | 2,570,173 | 5,087,891 |
| 10. Plantation, Agriculture and Allied Industries | 2,294,939 | 3,734,362 |
| 11. Building, Construction, Civil Engineering and Allied Industries | 3,384,208 | 3,351,844 |

Source: Directorate of Industrial Training

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