
Thursday, 15th December 2016
08.00 – 10.30 Hours
Sarova Stanley Hotel, Nairobi.
Overview

• Introduction
• Methodology
• Estimation of Size
• Characteristics
  – Gender, Sector, Industry, & Regional Analysis
• Elasticity of the MC
  – Inflation, Taxation, Economic performance
• Conclusions
  – Policy Recommendations
Introduction

• Ongoing discourse of the existence of the middle class in Kenya
• Input to political processes
• Definition of the middle class
Methodology

• Use of data from KNBS
• Wage earners or business owners
• Between 1 and 2 standard deviations above the mean
• Justification
ESTIMATION OF SIZE OF MIDDLE CLASS AND THE MAIN CHARACTERISTICS
Estimation of Size

• Wage employees
  – Male: 1.36 Million – 1.57 Million (15%)
  – Female: 0.60 Million – 0.91 Million (52%)
  – Average increase – 26.5%
Wage employment by sex (2009 – 2015)

2009: 30% Male, 70% Female
2010: 29% Male, 71% Female
2011: 32% Male, 68% Female
2012: 37% Male, 63% Female
2013: 37% Male, 63% Female
2014: 37% Male, 63% Female
2015: 37% Male, 63% Female
Distribution of wage employees across income groups, 2015

Monthly income groups (Ksh)

Wage employment (number)

Male
Female

0-9999
10000-14999
15000-19999
20000-24999
25000-29999
30000-49999
50000-99999
100000+
Trends of Formal and Informal employment in Kenya

- No. of Employees (million)
  - Formal
  - Informal

- Years: 2009 to 2015
- Values:
  - 2009: Formal 2.03, Informal 8.68
  - 2015: Formal 2.60, Informal 12.56

Graph showing the increase in formal and informal employment from 2009 to 2015.
Estimation of the Middle Class

Ksh

Upper limit (+2 S.D)  Mean  Lower limit (+1 S.D)

2009: 67,380  31,932  20,000
2010: 76,392  50,356  40,000
2011: 102,429  76,392  60,000
2012: 102,429  76,392  80,000
2013: 102,429  76,392  100,000
2014: 102,429  76,392  120,000
2015: 102,429  76,392  140,000
<table>
<thead>
<tr>
<th>Year</th>
<th>Individuals below MC</th>
<th>Individuals in MC</th>
<th>Individuals above MC</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>1,557,405</td>
<td>166,515</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>1,572,828</td>
<td>178,056</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>1,656,780</td>
<td>208,400</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>1,735,419</td>
<td>204,801</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>1,917,888</td>
<td>239,736</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>2,026,265</td>
<td>260,689</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>2,130,994</td>
<td>272,569</td>
<td></td>
</tr>
</tbody>
</table>
Middle class employees as a share of total wage earners

- Individuals below MC
- Individuals in MC
- Individuals above MC

Yearly percentages from 2009 to 2015:
- 2009: 79.5%
- 2010: 79.5%
- 2011: 79.5%
- 2012: 80.5%
- 2013: 84.0%
- 2014: 85.5%
- 2015: 86.0%
Characteristics of Middle Class by Industry, 2012

Below middle class | Middle class | Above middle class

Financial and insurance activities | 0.0% | 28% | 72% |
Activities of extraterritorial organizations and bodies | 0.0% | 15% | 85% |
Electricity, gas, steam and air conditioning supply | 0.0% | 24% | 76% |
Wholesale and retail trade; repair of motor vehicles and motorcycles | 13% | 13% | 74% |
Accommodation and food service activities | 14% | 14% | 72% |
Information and communication | 12% | 12% | 76% |
Construction | 11% | 11% | 78% |
Manufacturing | 11% | 11% | 78% |
Average | 86.0% | 11% | 13% |
Arts, entertainment and recreation | 7% | 7% | 90% |
Real estate activities | 10% | 10% | 80% |
Education | 10% | 10% | 80% |
Transportation and storage | 10% | 10% | 80% |
Professional, scientific and technical activities | 10% | 10% | 80% |
Activities of households as employers; undifferentiated goods- and services-producing activities | 11% | 11% | 78% |
Administrative and support service activities | 5% | 5% | 90% |
Other service activities | 7% | 7% | 86% |
Public administration and defence; compulsory social security | 6% | 6% | 90% |
Mining and quarrying | 7% | 7% | 90% |
Human health and social work activities | 5% | 5% | 90% |
Agriculture, forestry and fishing | 5% | 5% | 90% |
Water supply; sewerage, waste management and remediation activities | 3% | 3% | 94%
Contribution of the middle class by respective industries, 2012

Education: 21.55%
Manufacturing: 13.79%
Wholesale and Retail Trade; Repair Of Motor Vehicles And Motorcycles: 12.67%
Financial And Insurance Activities: 8.49%
Construction: 7.54%
Information And Communication: 5.38%
Public Administration And Defence; Compulsory Social Security: 5.18%
Activities Of Households As Employers; Undifferentiated Goods- And Services- Producing...: 5.08%
Accommodation And Food Service Activities: 4.36%
Agriculture, Forestry And Fishing: 3.58%
Transportation And Storage: 3.50%
Professional, Scientific And Technical Activities: 2.76%
Human Health And Social Work Activities: 2.37%
Electricity, Gas, Steam And Air Conditioning Supply: 1.72%
Other Service Activities: 0.94%
Mining And Quarrying: 0.43%
Arts, Entertainment And Recreation: 0.19%
Real Estate Activities: 0.17%
Water Supply; Sewerage, Waste Management And Remediation Activities: 0.12%
Administrative And Support Service Activities: 0.11%
Activities Of Extraterritorial Organizations And Bodies: 0.07%
## Middle class in select towns (2012)

<table>
<thead>
<tr>
<th></th>
<th>City</th>
<th>Total No. of Formal Employees</th>
<th>Total No. of Employees falling within the Middle Class range of Ksh 57,308 - Ksh 77,922 per month</th>
<th>Share of Employees falling within the Middle Class range of Ksh 57,308 - Ksh 77,922 per month</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Nairobi</td>
<td>542,688</td>
<td>62,409</td>
<td>11.5%</td>
</tr>
<tr>
<td>2</td>
<td>Mombasa</td>
<td>215,736</td>
<td>22,652</td>
<td>10.5%</td>
</tr>
<tr>
<td>3</td>
<td>Kisumu</td>
<td>58,178</td>
<td>6,400</td>
<td>11.0%</td>
</tr>
<tr>
<td>4</td>
<td>Nakuru</td>
<td>55,220</td>
<td>5,798</td>
<td>10.5%</td>
</tr>
<tr>
<td>5</td>
<td>Thika</td>
<td>37,397</td>
<td>3,740</td>
<td>10.0%</td>
</tr>
<tr>
<td>6</td>
<td>Eldoret</td>
<td>42,919</td>
<td>3,863</td>
<td>9.0%</td>
</tr>
<tr>
<td>7</td>
<td>Kisii</td>
<td>12,935</td>
<td>1,746</td>
<td>13.5%</td>
</tr>
<tr>
<td>8</td>
<td>Nyeri</td>
<td>13,594</td>
<td>1,563</td>
<td>11.5%</td>
</tr>
<tr>
<td>9</td>
<td>Malindi</td>
<td>12,313</td>
<td>1,354</td>
<td>11.0%</td>
</tr>
<tr>
<td>10</td>
<td>Kakamega</td>
<td>8,932</td>
<td>1,250</td>
<td>14.0%</td>
</tr>
<tr>
<td>11</td>
<td>Machakos</td>
<td>7,300</td>
<td>1,059</td>
<td>14.5%</td>
</tr>
<tr>
<td>12</td>
<td>Embu</td>
<td>7,773</td>
<td>894</td>
<td>11.5%</td>
</tr>
<tr>
<td>Town</td>
<td>Percentage</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>----------</td>
<td>------------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nairobi</td>
<td>30.5%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mombasa</td>
<td>11.1%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kisumu</td>
<td>3.1%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nakuru</td>
<td>2.8%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thika</td>
<td>1.8%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eldoret</td>
<td>1.9%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kisii</td>
<td>0.9%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nyeri</td>
<td>0.8%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Malindi</td>
<td>0.7%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Malindi</td>
<td>0.7%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kakamega</td>
<td>0.6%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Machakos</td>
<td>0.5%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Embu</td>
<td>0.4%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Middle class in select towns as a share of the national total (2012)
Elasticity of Middle Class to Economic Factors

Inflation, PAYE Contribution, GDP
Responsiveness of the middle class to inflation

Total wage payment for middle class

<table>
<thead>
<tr>
<th>Year</th>
<th>Nominal, Ksh billion</th>
<th>Real, Ksh billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>115</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>125</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>132</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>166</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>225</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>258</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>292</td>
<td></td>
</tr>
</tbody>
</table>

Institute of Economic Affairs
Monthly income trends for middle class

(a) Nominal wages

(b) Real wages (constant = 2009)
Effect of inflation on the size of middle class, (2009-2015)

(a) Shares

<table>
<thead>
<tr>
<th>Year</th>
<th>Before adjusting for inflation</th>
<th>After adjusting for inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2010</td>
<td>137,130</td>
<td>260,180</td>
</tr>
<tr>
<td>2011</td>
<td>166,515</td>
<td>272,569</td>
</tr>
<tr>
<td>2012</td>
<td>137,130</td>
<td>260,180</td>
</tr>
<tr>
<td>2013</td>
<td>166,515</td>
<td>272,569</td>
</tr>
<tr>
<td>2014</td>
<td>166,515</td>
<td>272,569</td>
</tr>
<tr>
<td>2015</td>
<td>166,515</td>
<td>272,569</td>
</tr>
</tbody>
</table>

(b) Numbers

<table>
<thead>
<tr>
<th>Year</th>
<th>Before Adjusting for inflation</th>
<th>After adjusting for inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2010</td>
<td>50,000</td>
<td>100,000</td>
</tr>
<tr>
<td>2011</td>
<td>137,130</td>
<td>260,180</td>
</tr>
<tr>
<td>2012</td>
<td>166,515</td>
<td>272,569</td>
</tr>
<tr>
<td>2013</td>
<td>166,515</td>
<td>272,569</td>
</tr>
<tr>
<td>2014</td>
<td>166,515</td>
<td>272,569</td>
</tr>
<tr>
<td>2015</td>
<td>166,515</td>
<td>272,569</td>
</tr>
</tbody>
</table>
Total monthly PAYE contributed by the middle class employee, (2009 – 2015)

- Upper limit middle class individual
- Lower limit middle class individual
- Average for middle class individuals
- National average
Responsiveness of GDP on the size of Middle class

\[ y = 95597x - 112188 \]

\[ R^2 = 0.9678 \]
CONCLUSIONS & RECOMMENDATIONS
Thank You!

For more information, log on to

www.ieakenya.or.ke

or

Call us on

2717402 / 2721262
0724 256 510 / 0733 272 126