Estimation of the Middle Class

• A majority of the waged employees are low income earners. 2015,

  - KES 0 and KES 50,000 per month constituted 74%
  - KES 50,000 and KES 100,000 per month represent 23%
  - KES 100,000 monthly income represent 2.9%

• Middle class ranges constituted of those earning:
  - KES 49,656 to KES 67,380 in 2009
  - KES 76,392 to KES 102,429 in 2015

In 2015, this difference increased by 46%
Employment Trends

• An increase in employment in formal and informal employment
  2009 - 10.9 million jobs
  2015 - 15.2 million in 2015 (42% increase)

• Majority of the jobs in Kenya are still in the informal sector
  2009 – 10.9 million employees
    8.68 million - informal sector
    2.03 million workers - formal sector

• Informal employment is growing at a higher rate compared to the formal employment - 45% increase to 12.56 over the period
Gender Analysis

• Formal sector employment is mainly dominated by male employees

• Female employees are marginally increasing
  2009 - 70:30
  2015 – 63:37

• Middle class is highly dominated by male gender
  2009 - 116,561 male and 49,955 female
  2015 - 190,798 male and 81,771 female
Industry Analysis

• The middle class is highly concentrated within service based industries
  Financial and Insurance, supply of Electricity, gas, steam, and air conditioning and Activities of Extraterritorial Organizations and Bodies

• Low concentration of the middle class in Agriculture and Water Supply and Sewerage industries

• 63% of the middle class:
  Education, Manufacturing, Wholesale and Retail Trade; Repair of Motor Vehicles and Construction
Regional Analysis

• Middle class is highly concentrated in the large cities such as Nairobi and Mombasa

Urbanisation effect and high concentration of service industries such as finance, insurance, construction & Education

30.5% - Nairobi
11.1% - Mombasa
3.1% - Kisumu
2.8% - Nakuru
1.9% - Eldoret
1.8% - Thika
Responsiveness to Economic Factors

Inflation

- Nominal Wage is increasing

- The price levels of basic commodities have been rising and thus leads to a reduction in the purchasing power of consumers (60 points increase)

- Steady increase in nominal wages is significantly due to inflation rather than the rise in real income

- The inflation rate has grown at a faster rate than the nominal wages causing the real wage to decline
Taxation

• The middle class individual pays more PAYE contribution compared to the national average.

• Total annual PAYE contribution by the middle class as a share of the total national PAYE increased from 20% in 2009 to 22% in 2015.

• As the size is increasing gradually, so is the amount of PAYE contributed.
GDP Growth Rate

• 7-year period, the middle class contributed 5% of the GDP

• The middle class wage as a share of the total wage was 16% in 2009 and increased by 4 percentage points to 20% in 2015.

• The middle class is contributing more to the total wage relative to its size

*The middle class in 2015 constituted 11% but its share of the total wage was 20% which is almost twice as much as the share of its size*
Recommendations

• Gender Disparity in the Middle Class – 51% of the population consists of women (opportunity)

• Majority of jobs are still in the informal sector – formal sector growth to increase revenue collection

• Majority of wage earners are in the low-income bracket – Harmonise incomes
Recommendations cont...

- Inflation that reduces the size of the middle class – macroeconomic tools that reduce it

- The private sector key as far as promotion of the middle class is concerned at 80% share - Government should thus work hand in hand with the private sector to create a conducive environment and enhance job creation

- GDP Growth rate – macroeconomic policies that enhance economic growth