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**AN INVESTIGATION INTO EMPLOYMENT CREATION  
IN KENYA.  
(A case of AGOA)**

**BY**

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Chesire Christine  
*An investigation into  
employment creation*



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## DEDICATION

I dedicate this project to my loving mother, Clarah Chesire, whose prayers and encouragement made this possible.

I would also like to dedicate this project to my dad, Stanley Chesire.

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## **LIST OF ABBREVIATIONS**

**AGOA** – African Growth and Opportunity Act

**PRSP** – Poverty Reduction Strategy

**SME** – Small and Medium sized Enterprise

**EPZ** – Export Processing Zone

**SSA** – Sub-Saharan African Countries

**GSP** - Generalized System of Preference

**KHRC** - Kenya Human Rights Commission

## **ABSTRACT**

The AGOA policy has helped in alleviation of poverty in Kenya, a country that has suffered serious cases of unemployment in the recent past. The escalation of unemployment has continued to increase the poverty levels and hamper general development in the country. The United States of America initiated the AGOA policy to help alleviate poverty levels in Africa by providing duty free quotas to the export of products from beneficiary countries. Kenya, being one of the beneficiary countries was given an opportunity to enjoy some unprecedented access to the vast US market.

The human resources of an organization are an important component since the HR is comprises of people. This study was carried out to bring out or highlight the role that AGOA plays in the creation of employment in Kenya. The research was carried out at the EPZ in Mombasa, where the researcher drew a sampled of 116 respondents from a target population of 290 employees.

Data was collected by the use questionnaires which were self administered by the researcher. The data collected was coded and analyzed using the statistical package for social sciences (SPSS) and then presented in tables, charts and cross tabulations.

# CHAPTER ONE

## INTRODUCTION TO THE STUDY

### 1.0 Introduction

Kenya has suffered serious cases of unemployment in the recent past. The escalation of unemployment has continued to increase the poverty levels and hamper general development in the country. The United States of America initiated the AGOA policy to help alleviate poverty levels in Africa by providing duty free quotas to the export of products from beneficiary countries.

Kenya, being one of the beneficiary countries was given an opportunity to enjoy some unprecedented access to the vast US market.

This study sheds some light on the employment trends in Kenya before the AGOA policy enactment and after and determines the effect AGOA has had on employment levels and hence poverty reduction.

### 1.1 Background of the study

The African Growth Opportunity Act (AGOA), which was signed into law on the 18<sup>th</sup> May 2000, is a US initiative aimed at establishing a new trade partnership and investment policy for Africa. It seeks to promote increased trade and economic cooperation between the US and the eligible sub-Saharan countries, Kenya being one of such countries.

The Act further seeks to:

- i. Promote increased trade and investment between the US and the sub-Saharan Africa countries by providing eligible countries with duty free/quota free access to the US market.
- ii. Promote economic development and reform in the sub-Saharan Africa, moving across a wide range of industries, granting tangible benefits to entrepreneurs, farmers and other businesses
- iii. Promote increased access and opportunities for the US investors and business in Africa.

In a report issued by the Kenya Association of manufacturers (KAM, 2004) it was noted that a decline in the textile and apparel sector has occurred and that 5000 jobs had been lost in the recent past. The association urged the government to levy EPZs preferential tariffs that the Kenya Ports Authority (KPA) charges goods destined for foreign markets. The Association also wants the government to stabilize the exchange rates in support of exports.

Many apparel manufacturers had suffered non-renewal of orders in 2005 and indications were that the sector which recorded impressive growth under the AGOA could grind to a halt.

In 2004, five EPZ factories, including Kentex and Kenap – the first Kenyan company to be accredited under AGOA – closed shop. A number of smaller factories are lying idle or operating below 50 per cent of their installed capacity.

The manufacturers urged the government to take steps that will help the country to remain a preferred destination for buyers.

The table below shows employment trends in the AGOA Industry. From the year 1999 to 2003 employment creation increased as a result of the number of operating enterprises going up. However between the year 2003 and 2004 there was a sharp decline in employment as the number of enterprises reduced.

#### EMPLOYMENT TRENDS IN EPZ (AGOA)

YEAR	NO.OF EMPLOYEES	NO.OPERATING ENTERPRISES
1999	5,077	22
2000	6,487	24
2001	13,444	39
2002	26,447	54
2003	35,000	69
2004	29,667	65

Source: EPZA (2005)

#### 1.2 Statement of the problem.

The U.S congress undertakes through the AGOA to work towards spreading trade and investment benefits to Africa and Caribbean countries and encourage creation of a U.S-Sub-Saharan African trade and economic cooperation forum.

According to EPZA, in 2001 50,000 direct jobs and 150,000 indirect jobs were projected to arise as a result of AGOA. However, since the beginning of 2004, there has been a reported loss of jobs, closure of factories and factories operating below their installed capacities.

It is evident that AGOA is not meeting its intended objective to improve the lives of the citizens, as stated by the president of the U.S.

This research seeks to establish why the objective is not being met and to make recommendations on how the government can intervene to ensure the same is achieved.

*"No nation in our time has entered the fast track of development without first opening up its economy to world markets. The African Growth and Opportunity Act is a road map for how the United States and Africa can tap the power of markets to improve the lives of our citizens."*

- George W. Bush, President of the United States of America(2003)

### **1.3 Objectives of the study**

#### **1.3.1 General objective**

To establish the extent of implementation of the AGOA policy in the Kenyan business environment and how it has impacted on the local employment levels.

#### **1.3.2 Specific objectives**

- a) To determine the extent to which the AGOA policy has been implemented in EPZ zones in Kenya.
- b) To determine factors affecting employment in Kenya
- c) To find out the relationship between adopting the AGOA policy and employment levels in Kenya.
- d) To suggest policies to be adopted by the government in order to support the AGOA initiative

#### 1.4 Research Questions

- a) To what extent has job creation been enhanced as a result of the AGOA policy in Kenya?
- b) What are the employment trends in Kenya since the adoption of the AGOA policy?
- c) What are the requirements of the AGOA policy for Kenya?
- d) To what extent has the AGOA policy been implemented in Kenya?

#### 1.5 Significance of the study

The study will be of significance to the following;

- a) **The Government** -the research will seek to assess Kenya's real eligibility in meeting the AGOA requirements and taking advantage of the opportunities presented by the initiative. The research will recommend ways that will help the Kenyan government in policy formulation to alleviate poverty by creating employment and demonstrate ways in which these policies can be strategically implemented.
- b) **The private sector (EPZ Companies)**-will be able to understand eligibility requirements needed to be able to access the benefits that AGOA affords them.
- c) **Future researchers and scholars**-these will use the study as a reference material in future when carrying out studies related to this one.

#### 1.6 Scope of the study

The study covered 10 textile firms in West Coast Mombasa, Kenya situated in Chagamwe and Miritini areas, exporting to the US market under the AGOA initiative and assessed the difference AGOA may have had on their employment levels. The reason for choosing these areas was

because many EPZ organizations are located here and employ many skilled and unskilled workers. The total population for the study was 30 employees in every organization visited.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.0 Introduction

According to the website [www.agoa.gov](http://www.agoa.gov), AGOA provides reforming African countries with the most liberal access to the US market available to any country or region with which the United States does not have Free trade agreement. The Act offers tangible incentive to African countries to continue their effort to open their economies and build free markets thus creating employment to its people. It supports US business by encouraging reform of Africa's economic and commercial regimes which will build stronger markets and effective partners for US firms.

The Deloitte and Touché (2001) indicates that AGOA can change the course of trade relations between Africa and the United States for the long term while helping millions of African families find opportunities to build prosperity by:

- i. Reinforcing African reform efforts;
- ii. Providing improved access to US technical expertise, credit and markets;
- iii. Establishing a high level dialogue on trade and investment.

The key elements of the Act are;

- i. Institutionalizes a process of strengthening US relations with African countries and provides incentives for African countries to achieve political and economic reform and growth.
- ii. Offers beneficiary Sub- Sahara African countries duty free and quota free US market access for essentially all products through the generalized System of Preference (GSP) program.

- iii. Provide additional security for investors and trade in African Countries by ensuring GSP benefits for eight years. Regular and expanded GSP benefits will remain in place for sub-Saharan African goods exported through September 30, 2008; irrespective of whether or not the GSP program is applicable to other developing countries. This benefit provides more certainty for both Sub Sahara African exporters and their US customer, each of whom will incorporate sub-Saharan African suppliers more securely into their sourcing plans as a result of the assurance that duty free treatment will not lapse for sometime.
- iv. Establishes a US sub-Saharan African trade and Economic Cooperation forum to facilitate regular trade and investment discussion.
- v. Promote the use of technical assistance to strengthen economic reforms and development including assistance to strengthen relationships between US firms and firms in sub-Saharan Africa.
- vi. Eliminate the GSP competitive need limitation for African countries. Normally, a GSP participant loses benefits for a certain product if imports of that product, reach a certain value (\$90 million in 1999). AGOA amends the GSP statute to exempt sub-Saharan Africa beneficiary countries from these competitive need limitations.

The AGOA establishes a new framework for US trade, investment and development policy for sub-Saharan Africa. The US administration plans to fully implement the AGOA and to broaden and deepen US relations with the countries of sub-Saharan Africa. The administration will pursue a strategy to expand free markets, trade and economic growth in sub-Saharan Africa. Achieving these objectives will benefit the United States and Sub-Saharan countries by helping to create healthier, more stable economies, stronger more democratic governments in Africa and expanded

markets for US exports. Expanding trade with Africa supports the values and policy objective of this Administration, to promote economic development and economic freedom and stability in the poorest regions of the world. The interdependence of economies should help us all to appreciate that the global prosperity in the long run will be more secure if broadly shared (Delloite and Touché Journal, March 2001)

There is also recognition that US policy toward Africa can best be pursued in cooperation with sub-Saharan African countries, with our initiatives effort fostering supporting and complimenting their work and objectives. The administration is encouraged by the actions of many sub-Saharan African countries that are implementing difficult economic, political and social reforms and seeking to strengthen trade relations and do away with bad business ties with the United States. African leaders have a new sense of ownership of their future and how to achieve that vision. African governments and especially the Kenyan Government are acknowledging that corruption and governance issues must be tackled and that it is their responsibility to do so. At the same time, they are looking to the United States and to others, for assistance in helping them achieve their vision for a more stable, economically sound, and democratic region. The United States welcomes this new dynamic initiative, ([www.agoa.gov](http://www.agoa.gov)-retrieved 16/02/05)

## 2.1 Why EPZ companies (AGOA)?

In a new report on EPZs in Kenya, the KHRC said labor conditions in EPZs reflected the worst effects of globalization, which, contrary to their objective of empowerment, end up becoming "factories for the manufacture of poverty".

As happened in other Third World countries, said the report, entitled "Manufacturing poverty: The story of EPZs in Kenya", EPZs were partly products of globalization and partly those of donor conditionality which had forced the Kenyan government to adopt legislative measures to liberalize the economy as a means of attracting foreign investment.

Amendments to the country's legislation at the recommendation of the IMF and World Bank, also circumvented the requirement of union involvement, introducing the concept of retrenchment, giving employers "exclusive, unequivocal and unbridled power" to hire and fire workers, the report added.

Cheap labor, as Kenya's comparative advantage in this endeavor, had therefore created a situation where workers' rights were sacrificed by way of official acknowledgement of "minimum" as opposed to "living" wages, the report added.

"Factories seek a workforce that will produce optimal results, hence the preference for young, unattached women who will not only easily give in to work-based exploitation but also accept low pay without undue fuss," the report states. This in addition to weak and indifferent labor laws, a corrupt and ineffective labor movement, coupled with a

tedious judicial process, was to be blamed for the unbearable working conditions in EPZ factories, it noted.

"The wages are insufficient for even basic needs, forcing them into sexual relationships with their superiors or into such measures as skipping meals and sharing tiny rooms," the report said.

"Jobs that pay poverty wages do not significantly improve the lot of workers, nor their socioeconomic status to become better parents or partners," it added (Kenya Human Rights Report titled "Manufacturing Poverty")

## **2.2 Economic Degradation**

Decades of economic degradation witnessed in the country since independence in 1963, have depressed labor conditions, not just in EPZs, but in virtually all sectors of the country's economy, causing the decline being witnessed in most productive economic sectors (Yusuf Nzibo, 2003)

As a result, he said, the labor market in the country was saturated and, as things stood, EPZs were currently the only sector in Kenya which was still taking on people. "Our country has undergone severe political and economic mismanagement so you cannot expect these problems to be corrected by the snap of a finger". In a country where there is more supply than demand, it becomes very difficult.

Issue of labor conditions in EPZs was a more complex issue due to its involvement in international trade, and if not carefully handled, would jeopardize the 36,000 jobs. "The

industry operates in a complicated matrix. But the approach they [campaigners] are using is isolating the country and placing 36,000 jobs at risk (Yusuf Nzibo, 2003)

### **2.3 Global Campaign**

A global campaign being carried out by various NGOs targets mainly big food and clothing retailers, who are regarded as the worst culprits responsible for depressing employment conditions in EPZs for millions of women workers around the world.

By using their power at the top of global supply chains to squeeze their suppliers to deliver, the companies deny millions of women of their fair share of benefits of globalization by transferring the pressure on women workers in the form of longer hours at faster work rates, with poor pay. According to Gerard Steehouwer of Oxfam Holland, the growth of EPZs and violation of workers' rights around the world are symptoms of the same disease - the neo-liberal economic model focusing on net exports, in which governments are forced to compete with one another in offering an easy investment climate that included tax holidays and "flexible" labor laws.

With more than 3,000 EPZs in 100 countries around the world, major brand companies and supermarket chains had a wide range of choice in goods such as textiles and farm products from Third World countries, which helped drive down their buying prices and increase their profit margins, Steehouwer, who is the organization's global fair trade campaign coordinator, told IRIN.

This stiff competition squeezed factory owners, who in turn were forced to pay poor wages to reduce the cost of production, he added. "These brand companies are squeezing

out local producers, who in turn squeeze their workers," Steehouwer said. "The misery is going down the supply chain while the profits are going up the supply chain. It is time to take the second step and give labor rights and a living wage to workers," he added. Steehouwer contends, however, that the campaign is seeking stricter implementation of an existing international Code of Conduct for EPZ factories, as opposed to advocating for the closure of the factories, as that would have adverse effects for millions of people employed in the zones. "We are not saying that EPZs are bad per se. We are saying this model of economic trade has to change, because it is not giving people the right jobs," he added.

He said implementation of the EPZ Code of Conduct was at best superficial, because intimidated workers were being forced to lie about their working conditions during inspections by supermarket chains (IRIN, 2004)

## **2.4 Unemployment**

Unemployment represents a waste of economic resources, great human distress and a high opportunity cost, it is therefore right that people should be concerned over it. The wants of the population can only be satisfied through the activity of the factors of production. Unemployed labour represents a waste of economic resources. On the human side there is concern over the personal suffering experienced by the unemployed men and women and their families. There is the loss of self respect and the respect of others that a man feels when he has to recognize that his skills are no longer needed. He is forced to live on charity, or on the state. His self respect is replaced by feelings of inferiority and uselessness which inevitably lead to deterioration in a man's confidence in himself and

the system which has created this suffering. Finally there is the opportunity cost to the country as a whole, of resources unemployed (Understanding Economics, 1976)

#### 2.4.1 Measuring unemployment

According to Mudidah, R. unemployment refers to a situation where factors of production are willing and capable of being employed at the ruling market wage rates but are involuntarily unutilized or underutilized.

The unemployment rate can be calculated as follows:

$$\frac{\text{Number of unemployed}}{\text{Total Workforce}} \times 100$$

The unemployment rate is increased by, for example, lay-offs and a greater number of school leavers without a job. It is decreased by unemployed people finding jobs and laid-off workers being re-employed (Mudidah, 2003)

The unemployment rate only tries to measure unemployment that is involuntary. The number of unemployed individuals will depend on the rate expansion of work opportunities which in turn depends on the rate of growth of the economy, the production technique utilized and government policies.

One of the difficulties of trying to measure the unemployment rate in developing countries is the considerable size of informal sector where activities are rarely portrayed accurately by employment statistics (Mudida, 2003)

## 2.4.2 Types of Unemployment

Mudidah, R (2003) identified the various types of unemployment as follows;

- I. **Open involuntary unemployment:** this occurs when a person is willing to work at the ruling wage rate but is not able to secure a job. This concept is especially relevant in the modern urban sector where young people aspire to obtain white collar jobs but are unable to do so.
- II. **Disguised or hidden unemployment:** occurs when the work available to a given workforce is insufficient to keep it fully employed so that some members of the workforce could be withdrawn without loss of output. An example of this type of unemployment relates to the civil service in many developing countries where the number of people hired often exceeds those that are required. The marginal product of labour in these cases is zero and does not contribute to national output, although such unemployment is not recorded in official statistics. Disguised unemployment is also common in rural areas in developing countries where agriculture is practiced. Many such individuals working in small plots of land are in fact in disguised employment since they could be withdrawn without a fall in output because their marginal product is zero or even negative.
- III. **General unemployment:** is that which is widespread throughout the economy and not confined to particular regions or categories of labour.
- IV. **Structural unemployment,** unlike general unemployment, is that which affects particular regions or categories of labour and results from an imbalance between the supply of a particular group workers and the demand for their services. An

example of how such an imbalance would occur is where technological change makes the product on which a particular industry is based obsolete or alternatively, new methods of production render labour with particular skills redundant. On the demand side, changes in consumer tastes, competition from substitute products or new products in new areas may be responsible.

V. **Seasonal unemployment:** regular seasonal unemployment is caused by annual variations of seasons, which affect economic activities in sectors such as in agriculture, fisheries, construction and tourism. During the pick seasons in these sectors the demand for labour will be very high whereas during the off-peak or low seasons there will be standard drop in this demand.

VI. **Frictional unemployment:** this is unemployment which arises from immobilities in labour force rather than from a lack of demand for labour. It is essentially short term in nature and includes unemployment, which arises when people are changing jobs or because of a lack of knowledge about job opportunities. It usually takes time to match prospective employees with employers and individuals will be unemployed during the search period for a job.

VII. **Demand-deficient or cyclical unemployment:** this type of unemployment is associated with the trade cycle. During the recovery and boom phases of the trade cycle the demand for output and labour is high and unemployment is low. On the other hand, during the recession and depression years, the demand for output and labour falls and unemployment rises sharply. Demand-deficient unemployment can be relatively long-term in nature. Keynes directed his attention to this type of

unemployment which he believed could be eradicated by demand management policies.

#### 2.4.3 Causes of unemployment in developing countries

Mudidah, R. (2003), highlighted the following as the main causes of unemployment in developing countries:

- I. **Lack of co-operating factors of production:** these are other essential factors, which are combined with labour in the production process. A firm can only employ additional labour if it has more of cooperating factors like capital and land. Developing countries, however, lack these factors especially capital and foreign exchange.
- II. **Rapid population growth:** the problem is that in many developing countries, population grows faster than the overall rate of growth of the economy. This implies that the labour force entering the labour market expands faster than the absorption capacity of the economy.
- III. **The use of inappropriate technology:** technology is said to be inappropriate in relation to the resource base in a given country. In developing countries, technology is often labour saving or capital- intensive which is inappropriate since most developing countries are labour surplus economies. A high capital-labour ratio implies less labor is absorbed in production processes thereby causing unemployment.
- IV. **Distortion of relative factor prices:** following the principle of economy, producers are assumed to face a given set of relative factor prices and to utilize the

combination of labour and capital that minimizes the cost of producing a given level of output. In many developing countries governments distort prices making capital relatively cheaper than labour through, for example, various public policies such as investment incentives, tax allowances, subsidized interest rates and low tariffs on capital imports. On the other hand, labour is made artificially expensive through minimum wage laws and trade unions.

V. **The nature of the education system:** education systems in many developing countries were adopted from developed countries and are geared to white collar jobs, which do not conform to the realities of the labour markets. The rate of job creation in the formal sector in developing countries where white collar jobs are found is much lower than the number of people entering the labour force. Consequently white collar jobs are increasingly hard to come by.

VI. **Seasonality in production:** this factor is especially important in developing countries where the agricultural sector is predominant. Changes in weather lead to seasonality in agricultural production and hence seasonality in employment. Seasonal unemployment is also prevalent in the tourism sector where tourists prefer to travel during certain times of the year.

VII. **Limited products markets:** this is especially relevant where production is for export and where primary products constitute an important proportion of exports. Primary products have low price and income inelasticities of demand. This implies that the expansion of output in the primary products sector is low and the potential for employment creation is limited.

VIII. **Massive rural to urban migration:** results in urban unemployment owing to insufficient urban job creation capacity. High rural to urban migration can be explained by factors such as the perception of the existence of income differentials between the two areas, migrants perceive high chances of getting jobs in the urban centers partly because of the concentration of industrial production in urban centers, the non-availability of social amenities in rural areas and pressure on limited land in rural areas. Social factors include the desire of migrants to break away from the traditional constraints of social organizations; physical factors include climate and meteorological disasters like droughts and floods which tend to be more prevalent in the rural areas. Demographic factors include a fall in mortality rates and consequent high rates of rural population growth, while communication factors include improved transportation, urban-oriented educational systems and the "modernizing" effect of the introduction of radio, television and cinema.

IX. **The adverse effects of economic reform programmes:** many developing countries are undertaking economic reform programmes which entail the liberalization of certain key sectors, for example, textiles. Such liberalization may contribute to domestic unemployment if domestically produced commodities are, for example, unable to compete with cheaper foreign substitutes. This is because some domestically owned firms may be forced to shut down their operations and consequently lay off many workers. In addition, economic reform programmes may have a component of civil sector reform which may lead to the retrenchment of many workers in the civil service with consequent rising unemployment.

#### **2.4.4 Reasons for concern about unemployment**

Unemployment represents a waste of potentially productive human resources. When labour is unemployed this implies that the economy is not producing as much as it could. This in turn signifies that national income is lower than it could be and, therefore, national welfare is lower where unemployment is high (Mudida, 2003)

- I. Greater unemployment means a higher dependency ratio since the few unemployed have to support a large number of dependants (Mudida, 2003)
- II. An increase in social problems like crime. Unemployment also contributes to the social problems of personal suffering and distress which can lead to a rising incident of mental disorders (Mudida, 2003)
- III. Overcrowding in urban areas resulting from urban unemployment. This is prevalent in urban areas with high rates of rural-urban migration (Mudida, 2003)
- IV. Unemployment also represents a loss of human capital since the unemployed labour will gradually lose its skills. This is because skills can only be maintained by constant work and practice (Mudida, 2003)
- V. In order to maintain the unemployed, the government may be forced to increase its expenditure on social amenities. This constitutes a drain on its expenditure which could be used for other development projects (Mudida, 2003)

#### **2.4.5 Policies to combat unemployment in developing countries**

Government policies to influence employment may either aim to reduce the total number of unemployed people or to increase the level of job creation. Policies to

reduce unemployment are linked to the causes of unemployment. These policies may take the following forms of supply side and demand side policies:

### **I. Increasing employment creation in the private sector**

Although the public sector in many developing countries is the largest employer, the potential for employment creation for this sector is limited. Government policy can support development by creating an enabling environment. Reduced budget deficits will have the effects of lowering interest rates and facilitating private sector development. Reduced budget deficits will have the effects of lowering interest rates and facilitating private sector investments. The government can also provide incentives to microfinance institutions which provide capital to small and medium enterprises. Of particular importance in employment creation is the informal (jua kali) sector given that possibilities for employment creation in the formal sector is limited. The availability of cheap finance can help firms to acquire co-operating factors of production and hence reduce levels of unemployment (Mudida, 2003)

### **II. Pricing policies that encourage the use of appropriate technology**

Pricing policies can play a leading role in guiding investment towards labor-intensive technologies in different sectors which are appropriate to the labour surplus economies in many developing countries. Government policies should aim at lowering the relative price of labour to create greater employment. The impact of removing factor price distortions on employment creation will depend on the degree of sustainability of labour for capital in the production processes of various sectors of the economy (Mudida, 2003)

### **III. Relevant education systems be adopted**

The education systems adopted in developing countries should emphasize skills required by the labour market. Indiscriminate education expansion contributes to the unemployment. Education expansion should, for example, balance the need to provide general education and professional skills since the latter are often more readily marketable (Mudida, 2003)

### **IV. Seasonal employment**

The diversification of economic activities can be instrumental in reducing seasonal unemployment. For example, regions that depend on tourism for employment can introduce alternative activities such as labour-intensive manufacturing during the off-peak season. Seasonal unemployment in agriculture can be reduced by engaging in industrial activities, where possible (Mudida, 2003)

### **V. Diversification of products and markets**

Unemployment resulting from limited product markets can be reduced by diversifying from primary products into other lines of production where demand is more price and income elastic. This could partly include further processing of primary products to add value to them. However, such diversification should still utilize labour-intensive technology for substantial employment creation to take place. Firms should also seek new markets for their products if current markets are unlikely to expand substantially. Since the demand for labour is a derived demand, it will increase if the demand for the commodities produced by labour increases (Mudida, 2003)

## **VI. Intensive rural development**

The long term way to combat rural-urban migration is by emphasizing rural development. This can be done by the government providing incentives for industries to locate in the rural areas thereby increasing employment and standards of living in rural areas. Social amenities in the rural areas should also be improved. In this way, the incentives to migrate to urban areas will be reduced with a consequent decrease in both urban and rural unemployment (Mudida, 2003)

## **VII. Encouraging foreign direct investment**

Developing countries should aim to make the political and economic environment conducive to the inflow of foreign capital. This is because such foreign capital can contribute considerably to enhancing domestic employment opportunities. This is especially so where the foreign firms use technology which tends to create greater employment (Mudida, 2003)

## **VIII. Encouraging the use of domestic resources**

Developing countries should promote domestic resource use whenever possible because this tends to create employment domestically. Considerable use of foreign inputs should be reduced where possible, since such usage generates employment abroad (Mudida, 2003)

## 2.5 Conceptual Framework



INDEPENDENT

VARIABLE

DEPENDENT

VARIABLE

Source: Author 2005

The research was carried out with both the independent and dependent variables.

Since the study was carried out to determine the effect of AGOA on the employment level in Kenya, the level of employment was the dependent variable.

The independent variables were;

1. Eligibility criteria
2. Employment trends as a result adoption of AGOA policy
3. Government policy

## CHAPTER THREE

### RESEARCH DESIGN AND METHODOLOGY

#### 3.0 Introduction

This chapter outlines the research design to be used by the researcher. It describes the target population, the sampling strategy and the data collection instruments. It also provides the data analysis techniques to be used.

#### 3.1 Research design

The researcher adopted an exploratory and descriptive design, which was meant to establish the extent to which the AGOA policy enactment has impacted on the employment level in Kenya. The descriptive design helped to gather secondary information from different sources including previous studies that have been conducted on the subject. The exploratory design was used to obtain primary information by use of questionnaires and structured interviews as the research tools.

#### 3.2 Study population

The study population included

- The Export Processing Zone Authority (EPZA) staff (based in Mombasa)

- The managers of Export Processing Zone industries (10 EPZ companies)

- The skilled and unskilled employees of the EPZ companies (30 each)

- The Kenya Association of Manufacturers

- The AGOA Association of Kenya.

- The Ministry of Labour

- Central Organization of Trade Unions (COTU)

### 3.3 Sampling strategy

The sample for this study was drawn from about 290 EPZ employees in Mombasa. The stratified random sampling strategy was adopted, where the researcher divided the various organizations into supervisors, skilled workers and the casual workers, where a representative sample of 40 per cent was selected from each strata using simple random sampling technique. This yielded a sample of 116 respondents as follows:

**Table 3.3 (a) Sampling Strategy**

<b>Category</b>	<b>Target Population</b>	<b>Ratio</b>	<b>Sample</b>	<b>Percentage Of the sample</b>
<b>EPZA staff in Msa</b>	20	0.4	8	6.89%
<b>EPZ Managers</b>	20	0.4	8	6.89%
<b>EPZ skilled workers</b>	50	0.4	20	17.24%
<b>EPZ Casual Workers</b>	200	0.4	80	68.96%
<b>Total</b>	<b>290</b>		<b>116</b>	<b>100%</b>

Source: Researcher (2005)

Officials from the following organizations will be interviewed for opinion only:

- a. The Kenya Association of Manufacturers
- b. The AGOA Association of Kenya
- c. The Ministry of Labour
- d. Central Organization of Trade Unions

### **3.4 Data collection and instrumentation**

The research involved both primary and secondary sources of data.

The secondary data mainly came from export records of companies, a number of permanent management employees, websites.

([www.agoa.gov](http://www.agoa.gov)),([www.nyu.edu](http://www.nyu.edu)),([www.business-africa.net](http://www.business-africa.net))\

Primary data was collected by the use of questionnaires, personally administered to the various employees.

### **3.5 Data analysis**

The data collected was analyzed using measures of central tendency like mean, mode and median; and with the help of SPSS (statistical package for social sciences), in addition to qualitative analysis techniques; the data was presented in charts, graphs, tables and cross tabulations.

## CHAPTER FOUR

### DATA ANALYSIS AND INTERPRETATION

#### 4.0 Introduction

This chapter presents the analysis of data collected and discusses the findings with regard to the effect of the African Growth and Opportunity Act (AGOA) on employment level in Kenya, a case study of EPZ and Apparel manufacturing Companies in Mombasa.

#### 4.1 Overview of Data Collected and Analyzed

Out of the 116 questionnaires that were distributed, 100 were returned. This represents a response rate of 86.2%, which is considered significant enough to provide a basis for valid and reliable conclusions with regard to the effect of AGOA on employment. This is well explained in table 4.1 below:

**Table 4.1 Overview of data collected.**

Category	Sample (t)	Returned questionnaires (r)	Non-Response Error (t-r)
EPZA staff in Msa	8	3	5
EPZ Managers	8	7	1
EPZ skilled workers	20	20	0
EPZ Casual Workers	80	70	10
<b>TOTAL</b>	<b>116</b>	<b>100</b>	<b>t-r=16</b>

t = Sample

r = Returned Questionnaires

t - r = Non-Response Error (16)

**Source: Research**

**UNIONISABLE AND CASUAL WORKERS**

Workers of EPZ and apparel manufacturing companies in Mombasa were given questionnaires and their responses were shown in the analysis below:

**4.2.1 Commencement of Work**

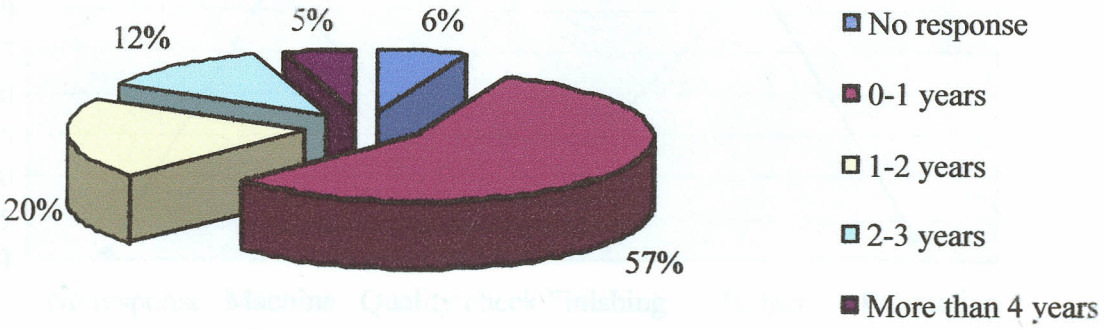
**Table 4.2.1**

**When did you start working for this organisation?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid No response	6	6.0	6.0	6.0
0-1 years	57	57.0	57.0	63.0
1-2 years	20	20.0	20.0	83.0
2-3 years	12	12.0	12.0	95.0
More than 4 yeras	5	5.0	5.0	100.0
Total	100	100.0	100.0	

**Figure 4.2.1**

**When did you start working for this organization?**



Most of the respondents (57.0%) said they had worked for the organization for less than one year, 20.0% and 12.0% had worked for between 1-2 years and 2-3 years respectively. Only 5% had worked for more than 4 years, while 6.0% did not respond.

**4.2.2 Job Designation**

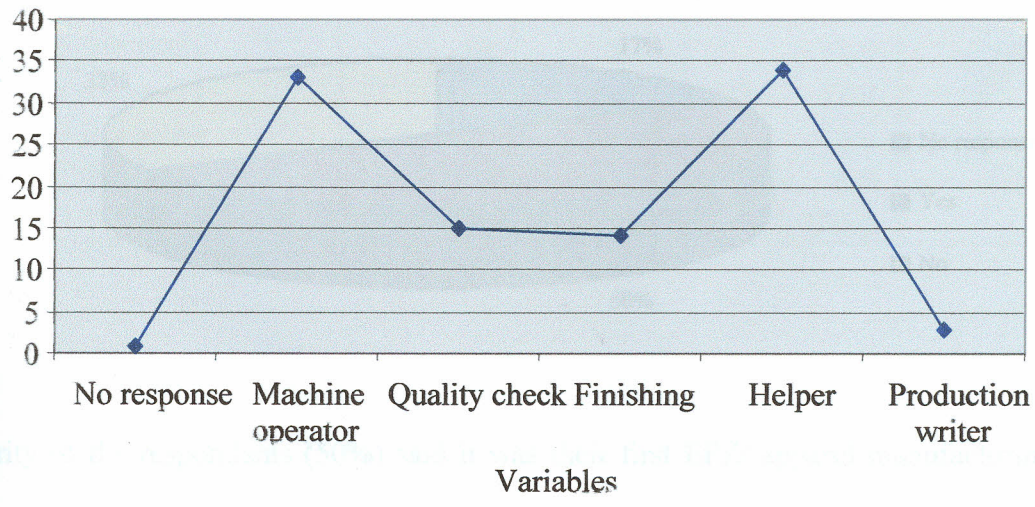
**Table 4.2.2**

**What is your designation?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No response	1	1.0	1.0	1.0
	Machine operator	33	33.0	33.0	34.0
	Quality check	15	15.0	15.0	49.0
	Finishing	14	14.0	14.0	63.0
	Helper	34	34.0	34.0	97.0
	Production writer	3	3.0	3.0	100.0
	Total	100	100.0	100.0	

**Figure 4.2.2**

**What is your designation?**



As shown in the table, the respondents had varied designations, with most of them, that is, 34.0% and 33.0% being helpers and machine operators respectively. There was however, a non-response rate of 7.0%.

**4.2.3 Whether This is the First EPZ or Apparel Manufacturing Company Worked For**

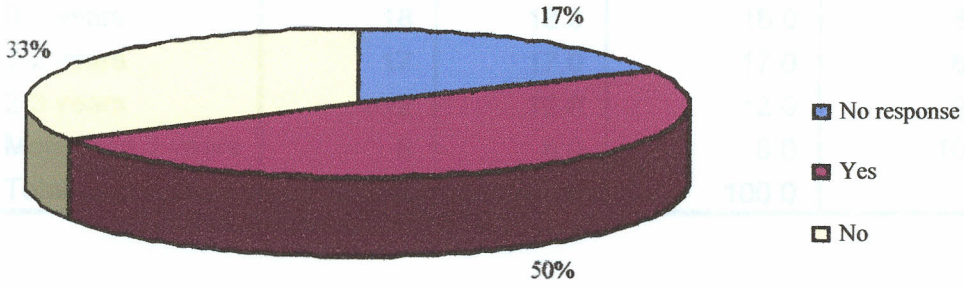
**Table 4.2.3**

**Is this the first EPZ or apparel manufacturing company you have worked for?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No response	12	17.4	17.4	17.4
	Yes	34	49.3	49.3	66.7
	No	23	33.3	33.3	100.0
Total		69	100.0	100.0	

**Figure 4.2.3**

**Is this the first EPZ or apparel manufacturing company you have worked for?**



Majority of the respondents (50%) said it was their first EPZ/ apparel manufacturing company they had worked for, unlike the other 17% non-response, as shown in the table was 33.0%

**4.2.4 Other EPZ Companies worked for**

**Table 4.2.4**

**If no, how many other EPZ companies have you worked for?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No response	43	62.3	62.3	62.3
	Name of co give	26	37.7	37.7	100.0
	Total	69	100.0	100.0	

37.7% Said that they had worked for other EPZ company before the current one. While 62.3% did not respond.

**4.2.5 How long had they worked for the EPZ company**

**Table 4.2.5**

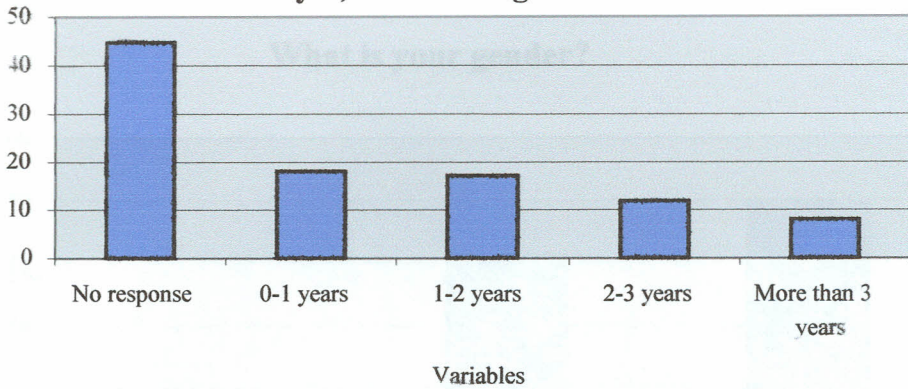
**If yes, for how long?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No response	45	45.0	45.0	45.0
	0-1 years	18	18.0	18.0	63.0
	1-2 years	17	17.0	17.0	80.0
	2-3 years	12	12.0	12.0	92.0
	More than 3 years	8	8.0	8.0	100.0
	Total	100	100.0	100.0	

While as many as 45.0% of the respondents gave no response to this, 18.0% said they had worked for their company for less than or one year, 17.0% for between 1-2 years, 12.0% for between 2-3 years, and 8.0% for more than 3 years.

**Figure 4.2.5**

**If yes, for how long?**



**Table 4.2.6 Gender of the Respondents**

**Table 4.2.6**

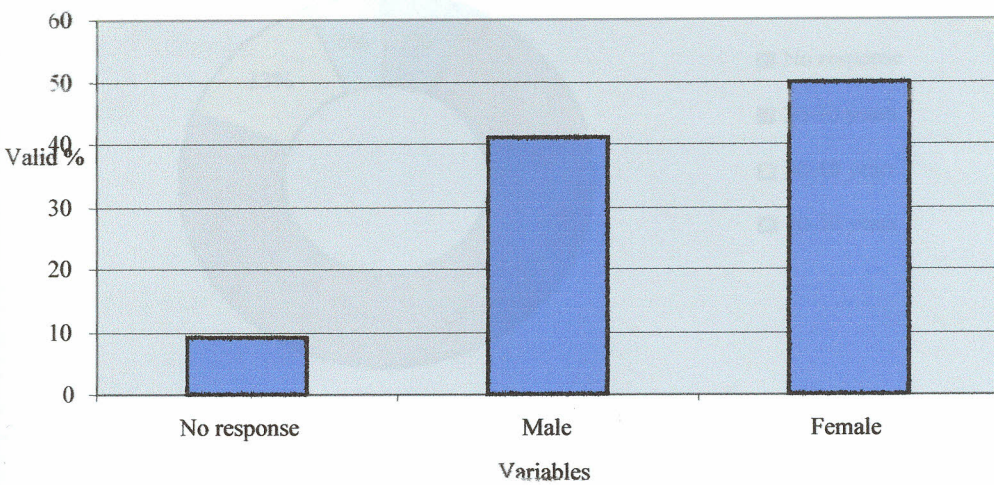
**Whats is your gender?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No response	9	9.0	9.0	9.0
	Male	41	41.0	41.0	50.0
	Female	50	50.0	50.0	100.0
	Total	100	100.0	100.0	

The respondents consisted of both males 41.0% and females 50.0%

**Figure 4.2.6**

**What is your gender?**



**4.2.7 Age of the Respondents**

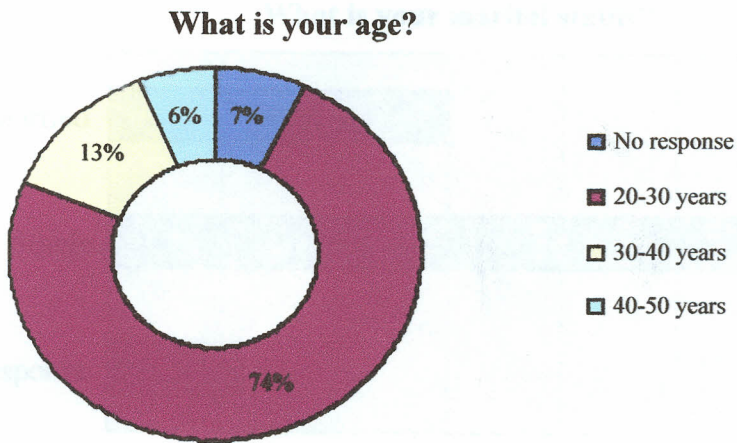
**Table 4.2.7**

**What is your age?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No response	7	7.0	7.0	7.0
	20-30 years	74	74.0	74.0	81.0
	30-40 years	13	13.0	13.0	94.0
	40-50 yeras	6	6.0	6.0	100.0
	Total	100	100.0	100.0	

A great majority of the respondents (74.0%) were aged between 20-30 years, 13.0% were aged between 30-40 years, while 6.0 % were aged between 40-50 years.

Figure 4.2.7



4.2.8 Marital Status

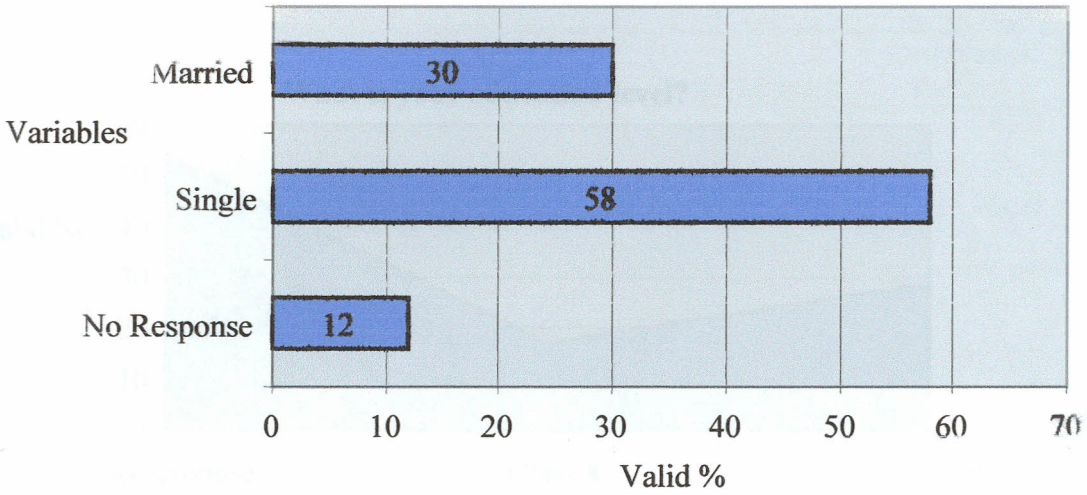
Table 4.2.8

**What is your marital status?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Response	12	12.0	12.0	12.0
	Single	58	58.0	58.0	70.0
	Married	30	30.0	30.0	100.0
	Total	100	100.0	100.0	

**Figure 4.2.8**

**What is your marital status?**



Most of the respondents (58.0%) said they were single. Only 30% were married, while 12.0% did not respond.

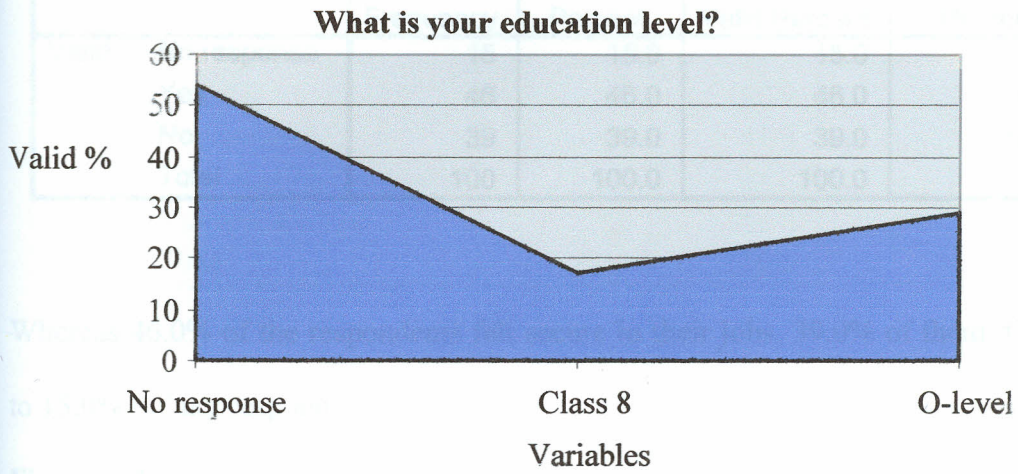
**4.2.9 Education Level**

**Table 4.2.9**

**What is your education level?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No response	54	54.0	54.0	54.0
	Class 8	17	17.0	17.0	71.0
	O-level	29	29.0	29.0	100.0
	Total	100	100.0	100.0	

**Figure 4.2.9**



As many as 54.0% gave no response, while 17.0% of the respondents had class 8, and 29.0 % O-level education.

## 4.2.10 Job Security

Table 4.2.10

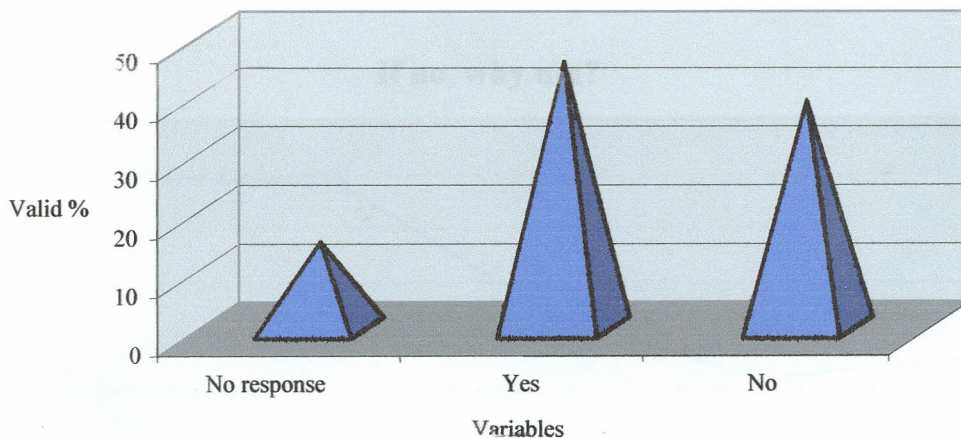
### Do you feel secure in your job?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No response	15	15.0	15.0	15.0
	Yes	46	46.0	46.0	61.0
	No	39	39.0	39.0	100.0
	Total	100	100.0	100.0	

Whereas 46.0% of the respondents felt secure in their jobs, 39.0% of them did not. However up to 15.0% did not respond.

Figure 4.2.10

### Do you feel secure in your job?



#### 4.2.11 Reasons why the respondents do not feel secure in their jobs

Table 4.2.11

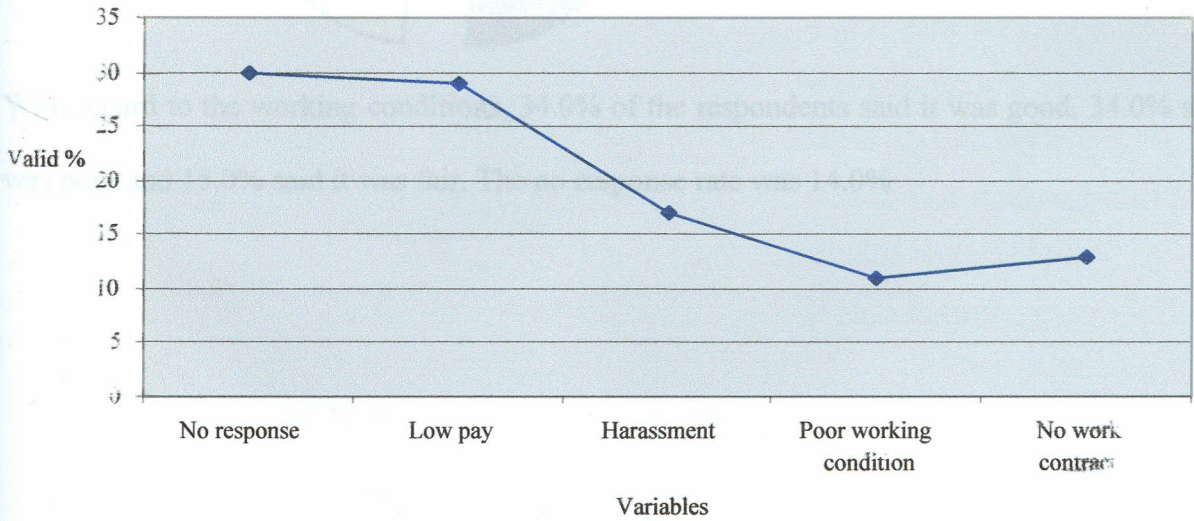
If no, why not?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid No response	30	30.0	30.0	30.0
Low pay	29	29.0	29.0	59.0
Harassment	17	17.0	17.0	76.0
Poor working condition	11	11.0	11.0	87.0
No work contract	13	13.0	13.0	100.0
Total	100	100.0	100.0	

As shown in the table, those who felt insecure gave various reasons, namely: low pay (29.0%), harassment (17.0%), poor working conditions (11.0%) and no contract (13.0%). Up to 30.0% however, did not respond to this question.

Figure 4.2.11

If no, why not?



4.2.12 Working Conditions

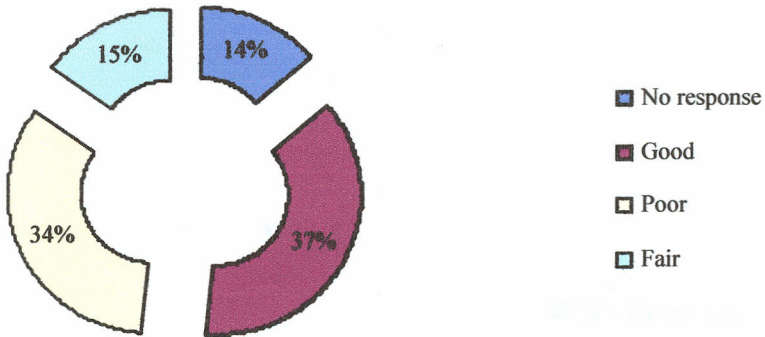
Table 4.2.12

What is your feeling about the working conditions here?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No response	14	14.0	14.0	14.0
	Good	37	37.0	37.0	51.0
	Poor	34	34.0	34.0	85.0
	Fair	15	15.0	15.0	100.0
	Total	100	100.0	100.0	

Figure 4.2.12

What is your feeling about the working conditions here?



With regard to the working conditions, 34.0% of the respondents said it was good, 34.0% said it was poor and 15.0% said it was fair. The no response rate was 14.0%

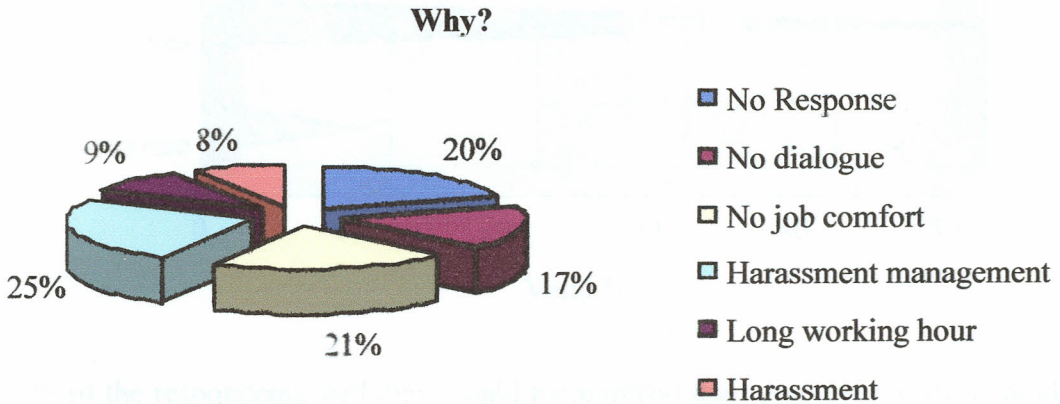
### 4.2.13 Reasons For Work Conditions Rating

Table 4.2.13

Why?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid No Response	20	20.0	20.0	20.0
No dialogue	17	17.0	17.0	37.0
No job comfort	21	21.0	21.0	58.0
Harassment management	25	25.0	25.0	83.0
Long working hour	9	9.0	9.0	92.0
Harassment	8	8.0	8.0	100.0
Total	100	100.0	100.0	

Figure 4.2.13



As shown in the table, 80.0% of the respondents gave various reasons for their rating of the working conditions. The reasons were: no dialogue (17.0%), no job satisfaction (21.0%), harsh management (25.0%), long working hours (9.0%) and harassment (8.0%).

#### 4.2.14 Recommending the Employer

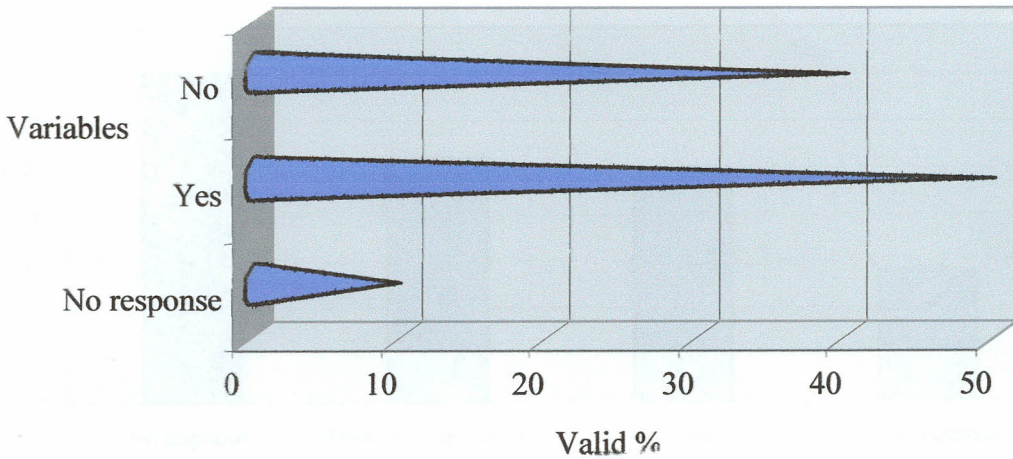
Table 4.2.14

Would you recommend this employer to any of your family or friends

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No response	10	10.0	10.0	10.0
	Yes	50	50.0	50.0	60.0
	No	40	40.0	40.0	100.0
	Total	100	100.0	100.0	

Figure 4.2.14

Would you recommend this employer to any of your family or friends?



Up to 50.0% of the respondents said they would recommend their employer to their families and friends. However, 40.0% said they would not, while 10.0% did not respond.

## 4.2.15 Reasons For Recommending Employer

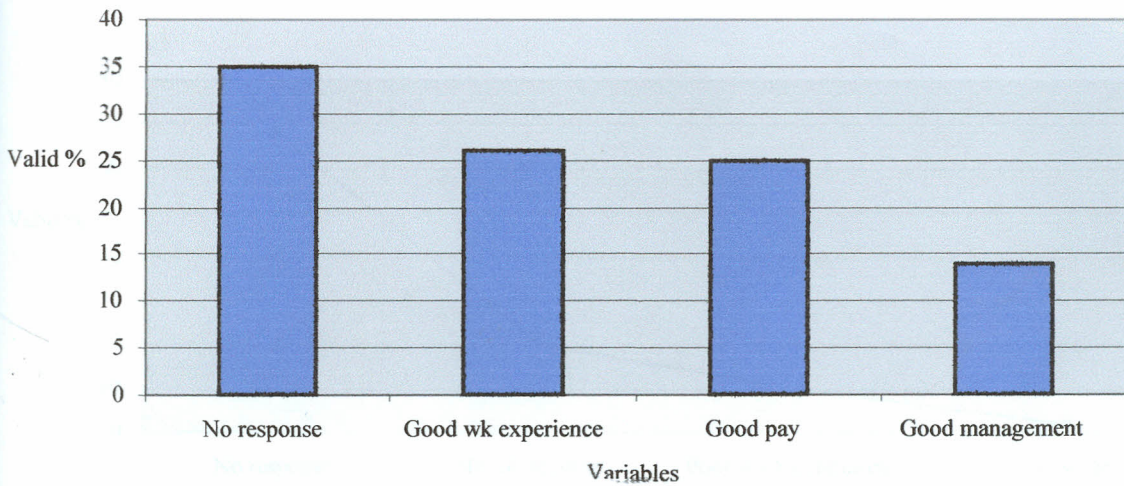
Table 4.2.15

If yes, Why?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No response	35	35.0	35.0	35.0
	Good wk experience	26	26.0	26.0	61.0
	Good pay	25	25.0	25.0	86.0
	Good management	14	14.0	14.0	100.0
	Total	100	100.0	100.0	

Figure 4.2.15

If yes, Why?



The respondents gave the following reasons as to why they would recommend their employer to their family and friends: good work experience (26.0%), good pay (25.0%), and good management (14.0%). 35.0% did not respond.

## 4.2.16 Reasons For Not Recommending Employer

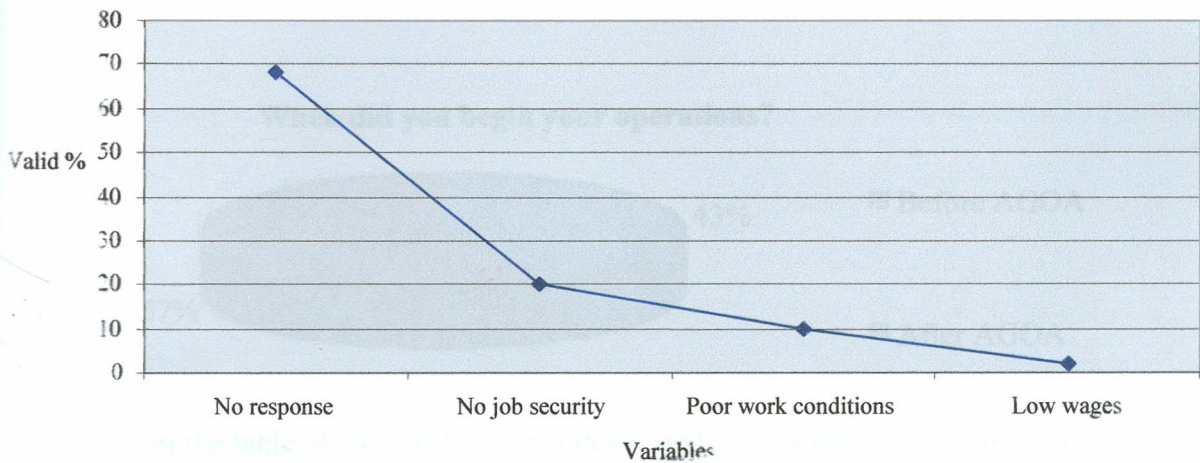
Table 4.2.16

If no, why not?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No reponse	68	68.0	68.0	68.0
	No job security	20	20.0	20.0	88.0
	Poor work conditions	10	10.0	10.0	98.0
	Low wages	2	2.0	2.0	100.0
	Total	100	100.0	100.0	

Figure 4.2.16

If no, why not?



The respondent gave the reasons for not recommending the employer to their families and friends as: no job security (20.0%), poor working conditions (10.0%), and low wages (2.0%). Up to 68.0% did not respond.

## TOP MANAGEMENT

The top management of these EPZ and apparel manufacturing companies were also given questionnaires and provided the following responses.

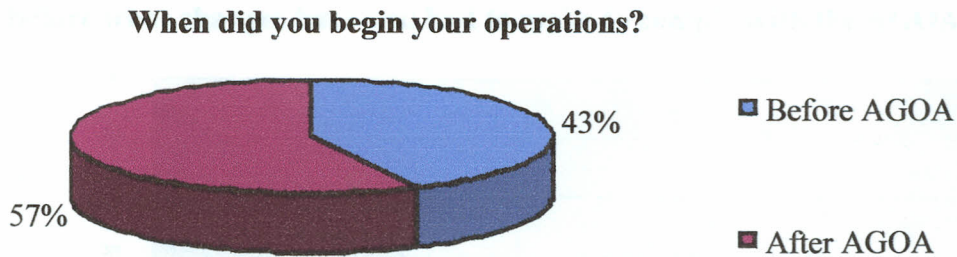
### 4.3.1 When Operations Began

Table 4.3.1

When did you begin your operations?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Before AGOA	3	42.9	42.9	42.9
After Agoa	4	57.1	57.1	100.0
Total	7	100.0	100.0	

Figure 4.3.1



As shown in the table, 42.9% of the respondents said they began their operations before AGOA, while 57.1% said they began after AGOA.

### 4.3.3 Changes Undertaken by Companies to Comply With AGOA Eligibility Criteria

Table 4.3.3

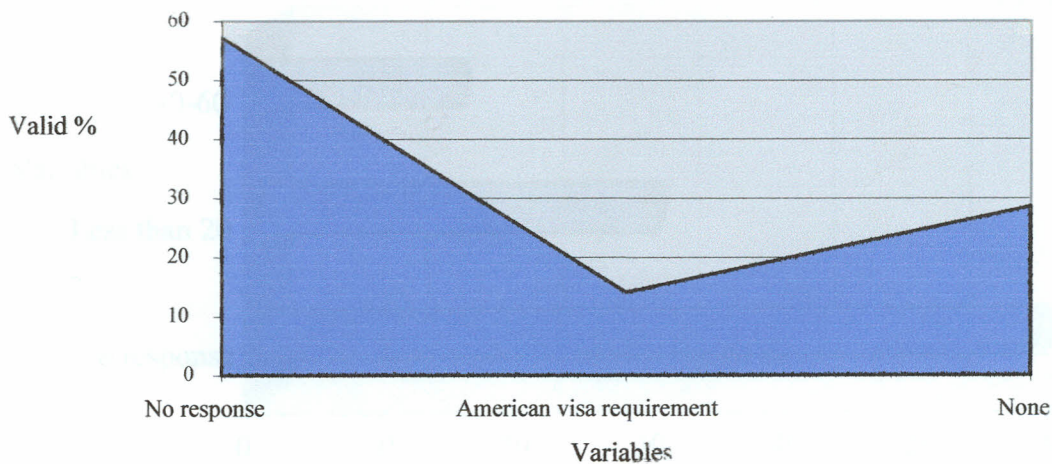
**If before what changes have you had to make to comply with the AGOA eligibility criteria?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No response	4	57.1	57.1	57.1
	American visa requirement	1	14.3	14.3	71.4
	None	2	28.6	28.6	100.0
	Total	7	100.0	100.0	

While 28.6% of the respondents have had no changes, 14.3% of them said they had to comply with the American visa requirements.

Figure 4.3.3

**If before what changes have you had to make to comply with the AGOA eligibility criteria?**



## Size of Management Labour Force

Table 4.3.4

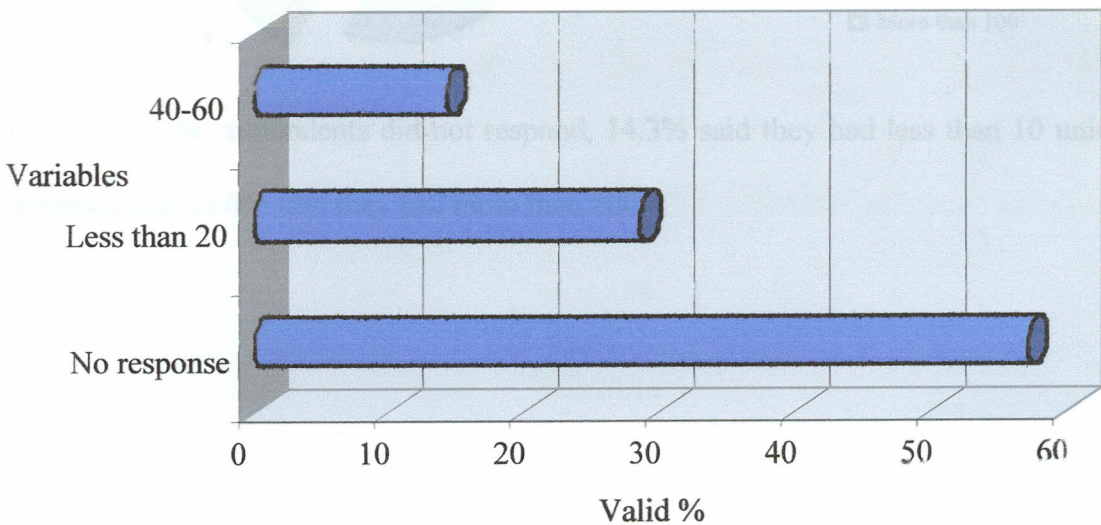
What was the size of your management labour force before adoption of AGOA?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No response	4	57.1	57.1	57.1
	Less than 20	2	28.6	28.6	85.7
	40-60	1	14.3	14.3	100.0
	Total	7	100.0	100.0	

Before adoption of AGOA, 28.6% of the respondents said they had a management labour force of less than 20, while 14.3% said they had a labour force of between 40-60. 57.1% did not give any response.

Figure 4.3.4

What was the size of your management labour force before adoption of AGOA?



## Size of Unionisable Labour Force

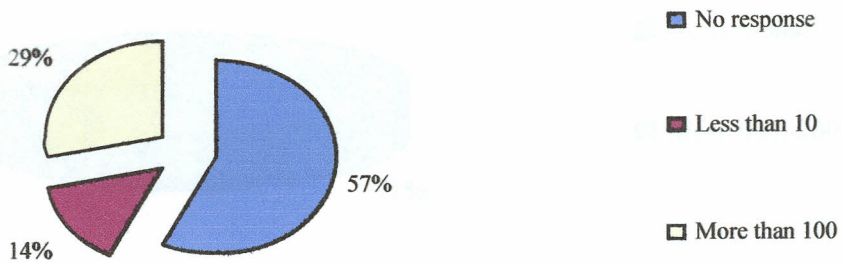
Table 4.3.5

What was the size of your unionisable labour force before adoption of AGOA?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid No response	4	57.1	57.1	57.1
Less than 10	1	14.3	14.3	71.4
More than 100	2	28.6	28.6	100.0
Total	7	100.0	100.0	

Figure 4.3.5

What was the size of your unionisable labour force before adoption of AGOA?



While 57.1% of the respondents did not respond, 14.3% said they had less than 10 unionisable labour forces, and 28.6% said they had more than 100.

### 4.3.6 Size of Casual Labour Force of the Respondents

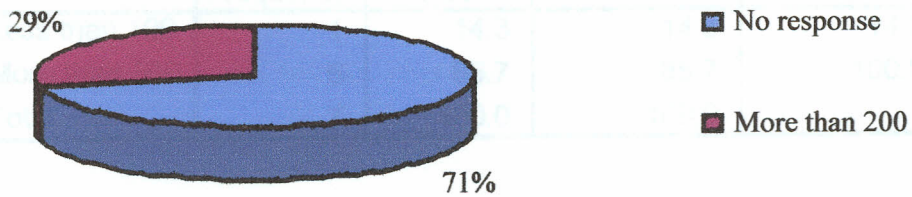
Table 4.3.6

What was the size of your casual labor force before adoption of AGOA?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid No response	5	71.4	71.4	71.4
More than 200	2	28.6	28.6	100.0
Total	7	100.0	100.0	

Figure 4.3.6

What was the size of your casual labor force before adoption of AGOA?



While up to 71.4% of the respondents did not respond, 28.6% of them said they had casual labour force of more than 100.

### 4.3.7 Nationality of the Management Labour Force

Table 4.3.7

Of the above management labour force, how many are Kenyans?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Less than 10	7	100.0	100.0	100.0

All the management labour force questioned were Kenyans (100%)

### 4.3.8 Nationality of the Unionisable Labour Force

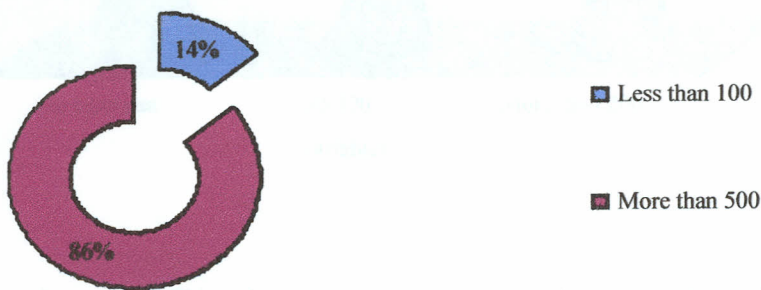
Table 4.3.8

Of the above unionisable labour force, how many are Kenyans?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Less than 100	1	14.3	14.3	14.3
More than 500	6	85.7	85.7	100.0
Total	7	100.0	100.0	

Figure 4.3.8

Of the above unionisable labour force, how many are Kenyans?



Of the unoinisable labour force. 14.3% of the respondents said less than 100 were Kenyans, whereas 85.7% of the respondents said more than 500 were Kenyans.

### 4.3.9 Nationalities of the labor force

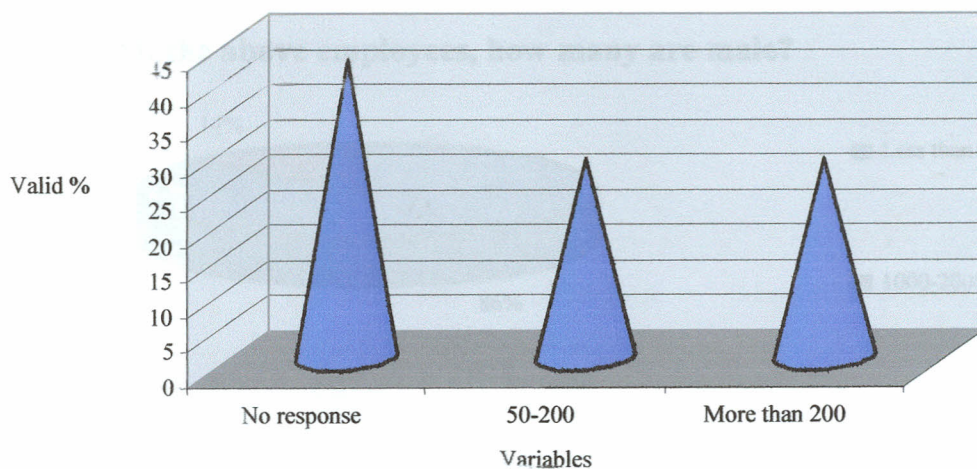
Table 4.3.9

Of the above casual labour force, how many are Kenyans?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid No response	3	42.9	42.9	42.9
50-200	2	28.6	28.6	71.4
More than 200	2	28.6	28.6	100.0
Total	7	100.0	100.0	

Figure 4.3.9

Of the above casual labour force, how many are Kenyans?



Of the casual labour force, 28.6% of the respondents said between 50-200 were Kenyans, whereas the other 28.6% said Kenyans were more than 200. 42.9% of the respondents did not respond to this.

**Table 4.3.10 Employee Gender**

**Table 4.3.10**

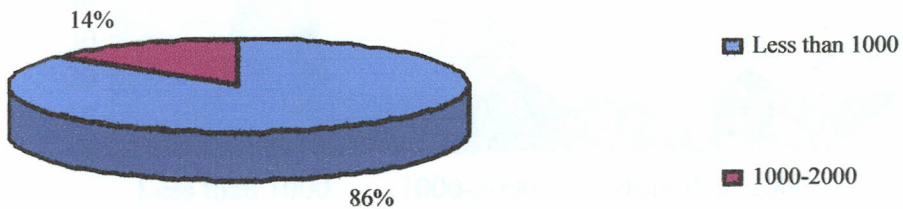
**Of the above employees, how many are male?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Less than 1000	6	85.7	85.7	85.7
1000-2000	1	14.3	14.3	100.0
Total	7	100.0	100.0	

With regard to gender, 85.7% of the respondents said less than 1000 of their employees are males. However, 14.3% of them said between 1000-2000 of their employees are males.

**Figure 4.3.10**

**Of the above employees, how many are male?**



### 4.3.11 Female Employees

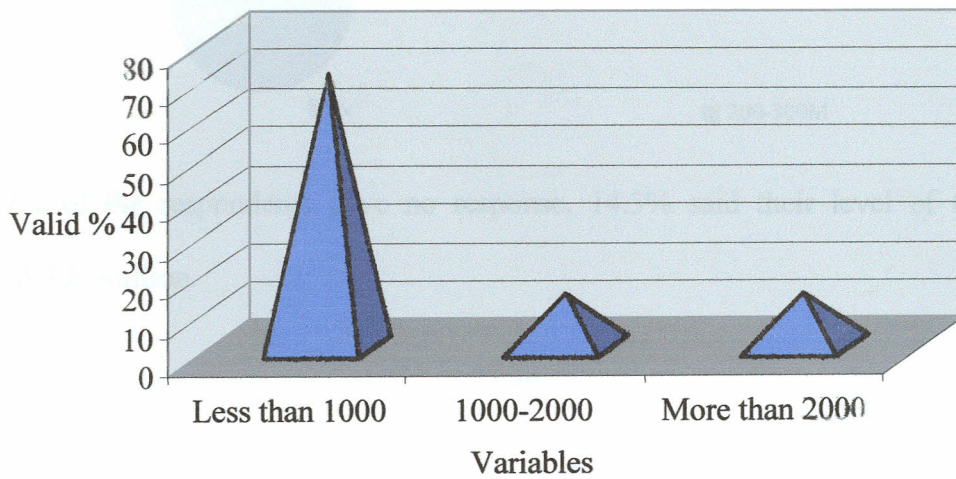
Table 4.3.11

Of the above employees, how many are female?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1000	5	71.4	71.4	71.4
	1000-2000	1	14.3	14.3	85.7
	More than 2000	1	14.3	14.3	100.0
Total		7	100.0	100.0	

Figure 4.3.11

Of the above employees, how many are female?



As shown in the table, 71.6% of the respondents said less than 1000 of their employees are females, 14.3% said their female employees are between 1000-2000, while the other 16.3% said more than 2000 of their employees are males.

### 4.3.12 Turnover Level before AGOA

Table 4.3.12

**What was the level of your turnover before AGOA?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No response	6	85.7	85.7	85.7
	200-300M	1	14.3	14.3	100.0
	Total	7	100.0	100.0	

Figure 4.3.12

**What was the level of your turnover before AGOA?**



While 85.7% of the respondents gave no response, 14.3% said their level of turnover was between 200-300 million.

### 4.3.13 Turnover Level after AGOA

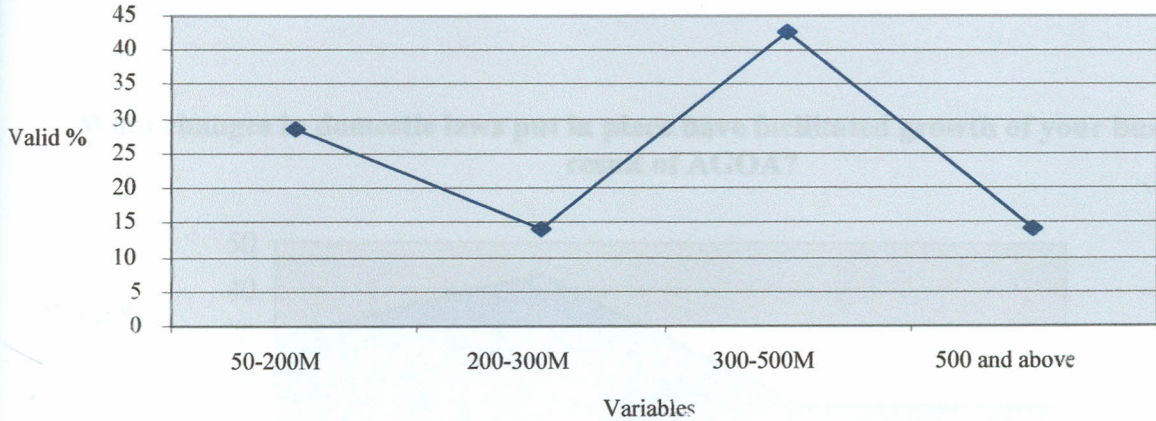
Table 4.3.13

What was your level of turnover after AGOA?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	50-200M	2	28.6	28.6	28.6
	200-300M	1	14.3	14.3	42.9
	300-500M	3	42.9	42.9	85.7
	500 and above	1	14.3	14.3	100.0
	Total	7	100.0	100.0	

Figure 4.3.13

What was your level of turnover after AGOA?



28.6% of the respondents said the turnover after AGOA was 50-200 million, 14.3% said theirs was 200-300 million, 42.9% said it was 300-500 million while 14.3% said theirs was 500 million and above.

**4.3.14 What Changes Have Facilitated Your Business Growth after AGOA**

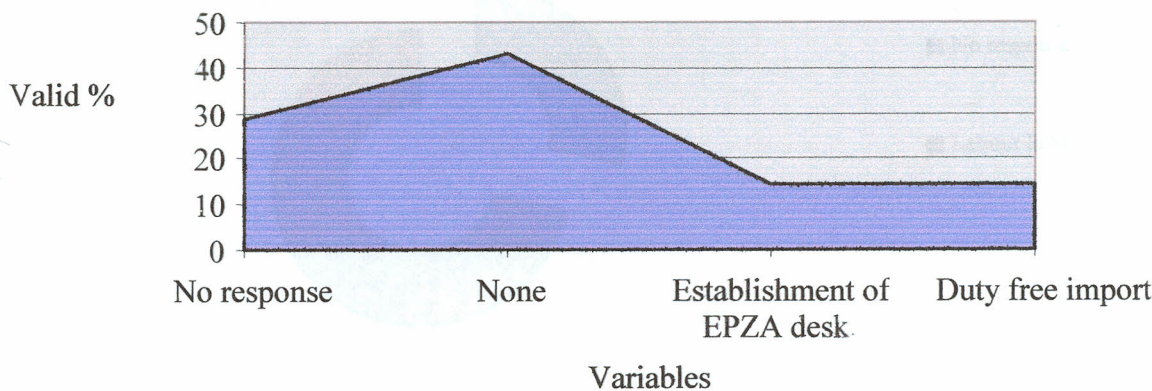
**Table 4.3.14**

**What changes in domestic laws put in place have facilitated growth of your business as a result of AGOA?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid No response	2	28.6	28.6	28.6
None	3	42.9	42.9	71.4
Establishment of EPZA desk.	1	14.3	14.3	85.7
Duty free import	1	14.3	14.3	100.0
Total	7	100.0	100.0	

**Figure 4.3.14**

**What changes in domestic laws put in place have facilitated growth of your business as a result of AGOA?**



As shown in the table, the following changes, according to respondents, have facilitated the growth of their business as a result of AGOA: Establishment of EPZA desk (14.3%), duty free imports (14.3%), no response was 14.3%.

### 4.3.15 Review of Domestic Laws and Policies

Table 4.3.15

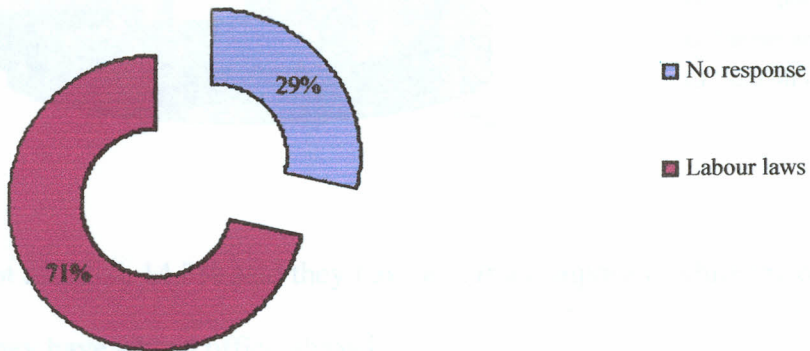
#### What domestic laws and policies would you like reviewed?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No response	2	28.6	28.6	28.6
	Labour laws	5	71.4	71.4	100.0
	Total	7	100.0	100.0	

While 28.6% of the respondents did not respond, 71.4% said they would like labour laws reviewed.

Figure 4.3.15

#### What domestic laws and policies would you like reviewed?



#### 4.3.16 Economic Policy for Selling To the U.S through A Sister Company

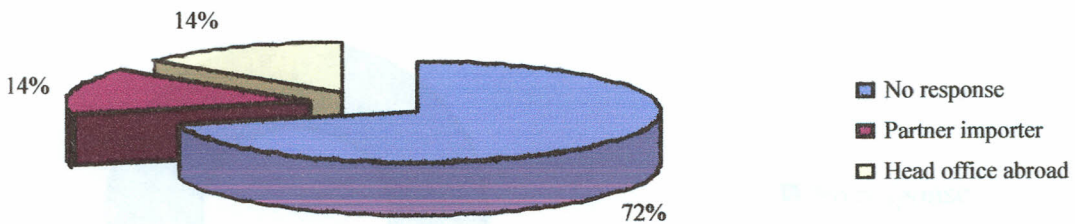
Table 4.3.16

**What economic policy do you have to be able to sell to the US market under AGOA through a sister company**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No response	5	71.4	71.4	71.4
	Partner importer	1	14.3	14.3	85.7
	Head office abroad	1	14.3	14.3	100.0
	Total	7	100.0	100.0	

Figure 4.3.16

**What economic policy do you have to be able to sell to the US market under AGOA through a sister company?**



Whereas 71.4% did not respond, 14.3% said they have a partner importer, while the other importer 14.3% said they have a head office abroad.

### 4.3.17 Economic Policy to Sell To the U.S through A Representative

Table 4.3.17

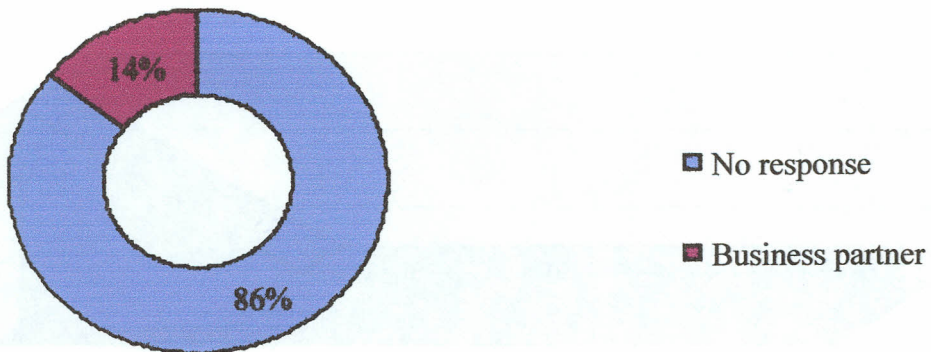
**What economic policy do you have to to be able to sell to the US market under AGOA through a representative?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid No response	6	85.7	85.7	85.7
Business partner	1	14.3	14.3	100.0
Total	7	100.0	100.0	

While 85.7% of the respondents gave no response, 14.3% said they have business partners

Figure 4.3.17

**What economic policy do you have to be able to sell to the US market under AGOA through a representative?**



### 4.3.18 Selling to the U.S Through Advertising and the Internet

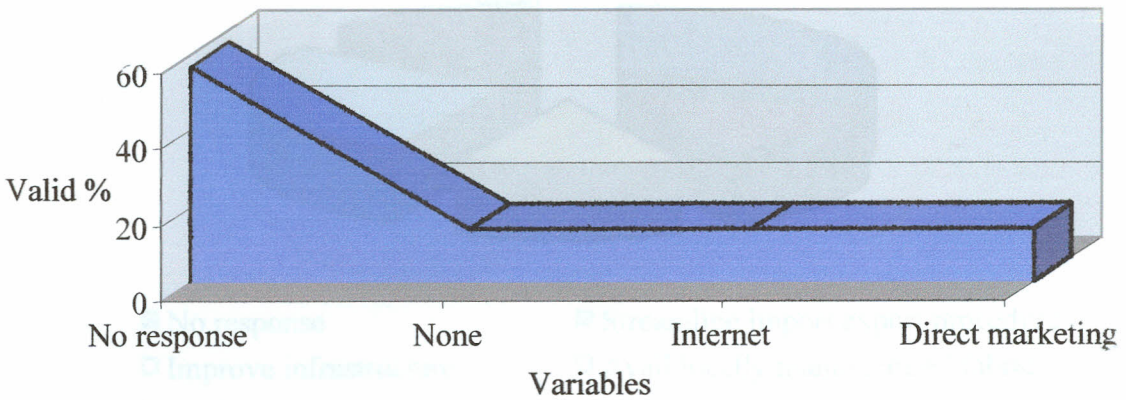
Table 4.3.18

**What economic policy do you have to be able to sell to the US market under AGOA through advertising on the internet/paper and others?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	no response	4	57.1	57.1	57.1
	none	1	14.3	14.3	71.4
	Internet	1	14.3	14.3	85.7
	Direct marketing	1	14.3	14.3	100.0
	Total	7	100.0	100.0	

Figure 4.3.18

**What economic policy do you have to be able to sell to the US market under AGOA through advertising on the internet/paper and others?**



### 4.3.19 Recommendations

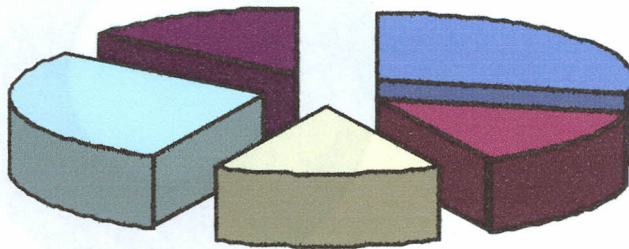
Table 4.3.19

#### What recommendations would you suggest to improve your business?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid No response	2	28.6	28.6	28.6
Streamline import export procedure	1	14.3	14.3	42.9
Improve infrastructure	1	14.3	14.3	57.1
Avail locally manufactured fabric	2	28.6	28.6	85.7
Re-introduction of trade quotes	1	14.3	14.3	100.0
Total	7	100.0	100.0	

Figure 4.3.19

#### What recommendations would you suggest to improve your business?



- No response
- Streamline import export procedure
- Improve infrastructure
- Avail locally manufactured fabric
- Re-introduction of trade quotes

As shown in the table, various recommendations were supported by the respondents to improve their business. There were streamlining import/export procedures (14.3%), improving infrastructure (14.3%), availing locally manufactured fabric (28.6%) and re-introduction of trade quotas (14.3%). 28.6% of the respondents did not respond.

### 4.3.20 Current Management Labour Force

Table 4.3.20

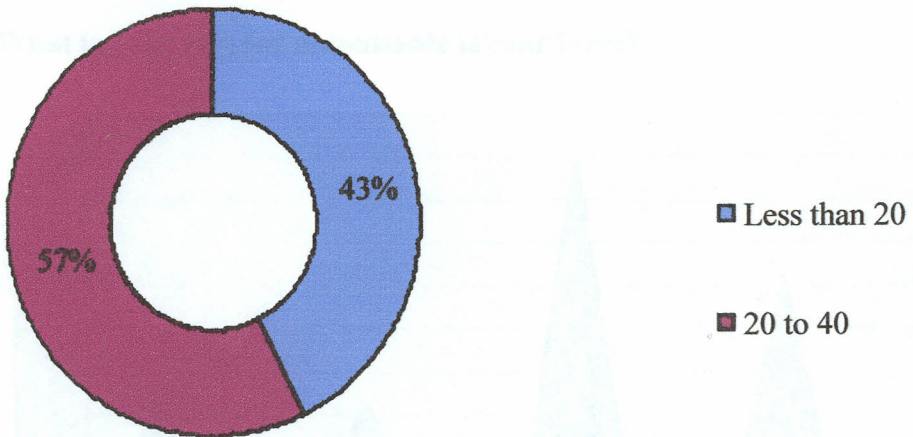
what is your current management labour force?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 20	3	42.9	42.9	42.9
	20 to 40	4	57.1	57.1	100.0
	Total	7	100.0	100.0	

While 42.9% of the respondents said their management labour force was less than 20, 57.1% said they had a management labour force of between 20-40.

Figure 4.3.20

What is your current management labour force?



**4.3.21 Current Unionisable Labour Force (Check Table)**

**Table 4.3.21**

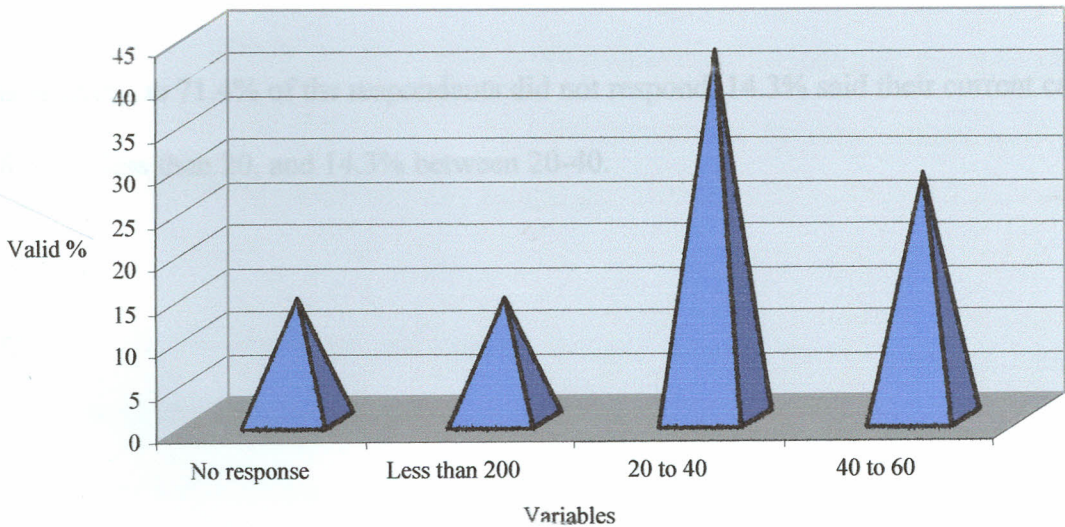
**What is your current unionisable labour force?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No response	1	14.3	14.3	14.3
	Less than 200	1	14.3	14.3	28.6
	20 to 40	3	42.9	42.9	71.4
	40 to 60	2	28.6	28.6	100.0
	Total	7	100.0	100.0	

Whereas 14.3% of the respondents did not respond, 85.7% said their current unionisable labour force is 40.

**Figure 4.3.21**

**What is your current unionisable labour force?**



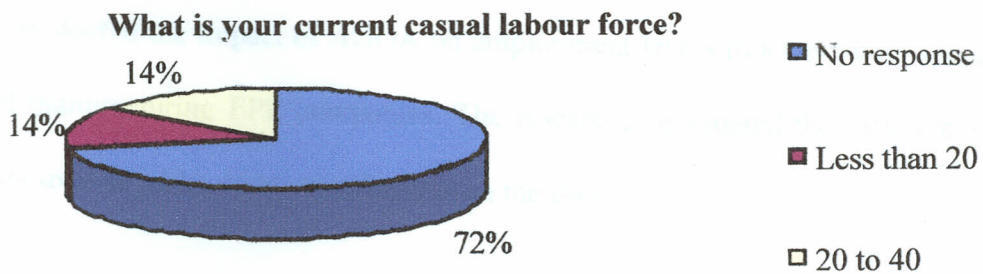
### 4.3.22 Current Casual Labour Force

Table 4.3.22

#### What is your current casual labour force?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
No response	5	71.4	71.4	71.4
Less than 20	1	14.3	14.3	85.7
20 to 40	1	14.3	14.3	100.0
Total	7	100.0	100.0	

Figure 4.3.22



Whereas as many as 71.4% of the respondents did not respond, 14.3% said their current casual labour force is less than 20, and 14.3% between 20-40.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 5.0 Introduction

This chapter summarizes the major findings of the study in relation to the objectives provided in chapter one. It also discusses the recommendations, limitations of the study and suggestions for the future research.

#### 5.1 Summary and Conclusions

The study evaluated the impact of AGOA on employment levels in Kenya with special reference to Apparel manufacturing EPZ companies. The researcher evaluated the different views of the respondents so as to make viable conclusions on the issue.

The study revealed a sense of job insecurity in the employees who indicated that they tend to lose their job quite easily. The respondents also cited harassment by their seniors and unrealistic targets which portrayed very poor working conditions.

The issue of long working hours and lack of dialogue between the workers and management emerged as a factor affecting the employees' productivity in the EPZ companies. The respondents also cited harsh management that was not willing to listen to them.

The wages at the factories are quite low and the research revealed this, in that, some respondents indicated that their salaries were quite low to even make ends meet. There was also a revelation

of lack of dialogue which hindered the employees from direct communication with their superiors and thus affected their work negatively.

Security is paramount for any organization's employees and there was a cry of insecurity in the responses provided by the employees of EPZ. The study realized that the security in these companies was wanting and needed redress.

## **5.2 Recommendations**

Based on the analysis of the study results and findings the researcher wishes to put forward the following recommendations to the various EPZ stakeholders, operating under the AGOA platform and the government.

**Streamline import/export procedure:-**The import/export procedures are complicated and cumbersome, and sometimes consume a lot of time. The government should streamline import and export conditions and requirements at the Kenya ports authority and the international airports to facilitate imports and exports of raw materials and the finished products respectively.

**Improve infrastructure in EPZ zones:** - This includes physical structures as road, bridge, electricity and communication facilities that facilitate economic activity. The government should plan the development and maintenance and to finance the infrastructure up to the perimeter of EPZ zones

Avail locally manufactured fabric: - Most of the items used as ingredients in the manufacture of goods, including the raw materials are imported and hence cost more than if they were available locally. The government should encourage and support the growing of cotton and also support the ginneries that spin the yarn to and up with the final end product. This will save the EPZ's the much needed money as well as stop reliance on Asian countries such as China and India.

Re-introduction of trade quotas:-The government should look for ways and means of getting the U.S. government to reinstate the trade quotas that existed before they were cancelled. This gives the local EPZ's the chance to export a huge chunk of their finished products to the U.S.

The government should help the EPZ's penetrate COMESA market by negotiating with the member countries, and thus promote and market export processing zones among investors.

The government should develop all aspects of the export processing zones with particular emphasis on provision of advice on the removal of impediments to and creation of incentives for, export-oriented production in areas designated as exports processing zones.

The government should ensure adequate security within export processing zones.

### **5.3 Limitations of the Study**

The researcher however encountered some challenges in the course of carrying out this study:

Lack of adequate funds –being a self-sponsored project, the researcher considered a small scope for the study, that is, EPZ's located in Mombasa to represent the whole country and the whole industry.

The nature of this study presented a unique problem to the researcher in that

AGOA is a relatively new entrant in our country. Sources of information were:

- (i) Financial Constraints – Due to the inadequate financial resources at hand, the research was limited to only one insurance company. Had there been sufficient funds, other companies would be incorporated. The research, nevertheless, gave more reliable and accurate findings.
- (ii) Time constraints – The time frame set for this research study was short and the researcher was not able to study a larger sample. The researcher, however, managed to select a sample that was quite representative and reliable.
- (iii) Co-operation of respondents – Some respondents were not fully co-operative thus giving insufficient information. To overcome this, the researcher emphasized on confidentiality of the information given.
- (iv) Discomfort – The management was uncomfortable that employees would give some revelations that may not be positive. However, the researcher informed the management that the information obtained was for academic purposes only.

#### **5.4 Suggestions for Further Research**

There is need to carry out further research on the same subject. The population of 10 companies among other market players is small and the results of this study cannot be fully conclusive. A link is necessary between EPZ companies and the institutes of learning and universities in order to enhance research.

In line with this, the researcher would like to suggest further research in this area such as;

- Factors affecting performance in the production industry: A case of AGOA.

- Effects of motivation on job performance in Kenya: a case of EPZ companies.
- The role of trade Unions in employee productivity, in the EPZ companies.

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## APPENDICES

### APPENDIX I

#### TIME PLAN

ACTIVITY	DURATION
Preparation of research investment	February 2005
Identifying research pre-testing instrument	February 2005
Data collection	February/June 2005
Data Analysis	June/August 2005
Presentation of first draft to supervisor	August 2005
Submission of revised report (final report)	August 2005

## APPENDIX II

### BUDGET

ACTIVITY	KHS.
1. Typing	2,000.00
2. Transport expenses	5,000.00
3. Photocopying of research instruments	600.00
4. Telephone	2,000.00
5. Internet services	5,000.00
<b><u>Data collection</u></b>	
1. Computer data entry	2,000.00
2. Miscellaneous expenses	5,000.00
<b><u>Report Writing</u></b>	
Typing of a set of approx, 90 pages	3,000.00
Photocopy of supervisor's copy	2,000.00
Binding of 10 sets of reports	4,000.00
Report presentation	3,000.00
Other (5% of total)	1,680.00
<b>TOTAL AMOUNT REQUIRED</b>	<b>35,280.00</b>



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06/06/2005

**TO WHOM IT MAY CONCERN:**

RE: CHRISTINE CHESIRE - D53/OL/1851/02

This is to confirm that the above named is our student undertaking MBA (Human Resource Management Option) in the Department of Business Administration, School of Business, Kenyatta University. He/she has cleared his/her coursework and is supposed to start working on his/her research project.

Any assistance you may accord him/her will be appreciated.

For further information about the student, please contact this office.

Thank you.

DR. MAURICE KHAAYOTA  
**COORDINATOR, GRADUATE PROGRAMMES**

**QUESTIONNAIRE**

1. Name of your firm and industry.

.....  
.....

2. When were the AGOA provisions incorporated in your firm?

.....  
.....

3. What changes have you had to make in the company to comply with AGOA eligibility criteria?

.....  
.....  
.....

4. How many employees did you have before adoption of AGOA?

.....  
.....

5. How many do you have now? .....

6. How many Kenyan employees do you have who are:

a. Skilled workers .....

b. Semi skilled workers .....

c. Casual workers .....

7. How many expatriate employees do you have in your firm?

.....  
.....  
.....

8. State the level of each before AGOA and today (i.e. latest financial year)

Before Current

- Sales turnover ..... .
- Expansion of exports ..... .
- Increased investments .....
- Employment opportunities .....
- Market share .....
- Competition. ....

9. What changes in domestic laws put in place have facilitated growth of your business as a result of AGOA?

.....  
.....  
.....

10. What domestic laws would you like reviewed?

.....  
.....  
.....

11. What economic policy do you have to be able to sell to the U.S market under AGOA in terms of:

a. Through a sister company in the U.S?

.....  
.....  
.....

b. Through a representative?

.....  
.....  
.....

c. Through advertising on the internet/ paper/other? (Describe)

.....  
.....  
.....  
.....

12. What are the negative effects, if any; AGOA has on your organization?

.....

.....

.....

**Thank you for your time.**