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The Textiles and Clothing Industry in Kenya

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Country Reports

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By Jacob O. Omolo

1. Introduction

1.1 Overview

Poverty reduction and creation of productive and sustainable employment opportunities has been one of the policy objectives of the Kenya Government since independence in 1963. Despite several policy interventions, Kenya is still faced with high incidences of poverty (60 percent), unemployment (14.6 percent)[1] and low economic growth rates (0.9 percent in the period 1997-2002). The Kenyan economy showed signs of recovery, registering 2.8 and 4.3 percent growths in 2003 and 2004, respectively (Republic of Kenya, 2005a). The growth in per capita income in the country has been slow at less than the average rate of growth of the population (1.9 percent per annum). Per capita income in 1982 constant prices, for example, declined from US $ 271 in 1990 to US $ 239 in 2002. The size of the working poor is also staggering comprising mainly subsistence farmers and female-headed households. The average annual rate of inflation increased significantly from 2 percent recorded in 2002 to 11.6 percent in 2004, reflecting continued erosion in purchasing power and declining standards of living. The poor performance of the economy has been attributed to, among others, poor socio-economic management, adoption of inappropriate policy regimes, lack of consistency, poor prioritisation and weak implementation of policies, lack of institutional capacity especially at local levels, low absorptive capacity of public institutions, lack of proper monitoring and evaluation system, and low levels of investment.

1 Sessional Paper No. 7 of 2005 on "Employment Policy and Strategy for Kenya" defines employment in the literal economic sense as any economic activity undertaken for pay. Many labour market players and stakeholders have shown strong reservations on the authenticity of the official unemployment statistics.

1.2 Import Substitutive Manufacturing and the Building of a Textiles Industry

The manufacturing sector in Kenya in 2004 accounted for over 20 percent of the country's Gross Domestic Product (GDP), provided employment opportunities to about 300,000 people in the formal and 3.7 million persons in the informal sectors of the economy. The textile sub-sector constitutes an important component of the manufacturing sector in the country. It is one of the key sub-sectors targeted under the country's strategy for economic recovery (Republic of Kenya, 2003).

In the first decade following the country's independence in 1963, manufacturing output in Kenya increased at the rate of 9-10 percent per annum on average, with notable expansion in the textile and garments production. At the time, public policy targeted import substituting industries for promotion (IPAR, 1996). The main policy instruments for such promotion included a combination of tariffs and import quotas supported by foreign exchange allocation measures. The exchange rate was also generally overvalued to contain the costs of imported raw materials, and credit and interest rates were implicitly subsidised for manufacturing enterprises.

The textile and clothing industry developed into a leading manufacturing activity in Kenya, both in terms of size and employment. It employed about 30 percent of the labour force in the national manufacturing sector. The industry also supports the livelihoods of over 200,000 small-scale farmers by providing markets for cotton. The success of the textile and clothing sub-sector during the import substitution period can be traced to the policy by the government that ensured a backward integration of the textile mills. Between the time of Kenya's independence and the end of 1990, the government systematically introduced controls in the sector: it helped cooperative societies buy ginneries from colonial settlers, controlled marketing margins, fixed producer prices and invested heavily in textile mills. The government also protected the local industry by imposing a 100 percent duty on imported goods. This ensured rapid growth of the local textile industry hitting an average production capacity of over 70 percent.

The scope of import substitution policy in Kenya was exhausted by the early 1980s. By mid-1980s, the textile and garment industry started to wane. The inward looking policies pursued as part of import substitution made it difficult for the country's textile exports to penetrate and retain their share of international markets. In addition, massive dumping of used clothes locally known as *mitumba* significantly undermined growth prospects and competitiveness of the sub-sector. Furthermore, since liberalisation of the Kenyan economy in 1990, the influx of textile goods into the country has led to notable reduction in the capacity utilisation of the local textile mills to about 50 percent.

1.3 Building an Export Oriented Textile and Clothing Industry through EPZs

The shift from an inward to an outward oriented development strategy in Kenya has been accompanied by the emergence of Export Processing Zones (EPZs). Kenya started implementing the EPZ programme in 1990. The country's EPZ programme is covered under the Export Processing Zones Act, (Chapter 517) Laws of Kenya. The Act defines EPZs as "…a designated part of Kenya where any goods introduced are generally regarded, insofar as import duties are concerned, as being outside the customs territory but are duly restricted by controlled access…" The objective of the programme is to promote exports, foreign exchange earnings, transfer of technology and skills, employment creation and enhancement of industrialisation (Republic of Kenya, 2004).

The EPZ incentive regime in Kenya provides exporting firms with a 10-year tax holiday, unrestricted foreign ownership and employment, and freedom to repatriate unlimited amount of earnings. The firms are also exempt from observing some core labour laws and regulations. For example, until 2003, trade unions could not organise workers in the EPZ firms. In addition, the Factories Act (Chapter 514) is not being enforced in the zones. The EPZs have enjoyed from the enormous market prospects presented by the tariff and quota advantages granted under the US-led African Growth Opportunity Act (AGOA) and the African, Caribbean and Pacific-European Union (ACP-EU) Cotonou Agreement (EPZA, 2005).

1.4 Current Status

The textile and clothing industry in Kenya faces significant crises. This emanates from continued deterioration in the purchasing powers of the majority of the population, thereby reducing effective demand for textile products, cheap imports, and the elimination of quotas as a result of the expiry of the Agreement on Textiles and Clothes (ATC), exposing the country to stiff competition on third markets from more established manufacturing economies such as China. Consequently, a number of firm closures and lay offs have been reported in the country's textile industry. Preliminary reports indicate that up to 12,000 jobs have been lost due to factory closures and reduced operations.

2. Structure and Development of the Industry

2.1 Industry Structure

The textile industry in Kenya is relatively diverse. It can be divided into four broad categories, namely cotton growing and ginning, yarn and thread production, fabric manufacture and apparel manufacture.

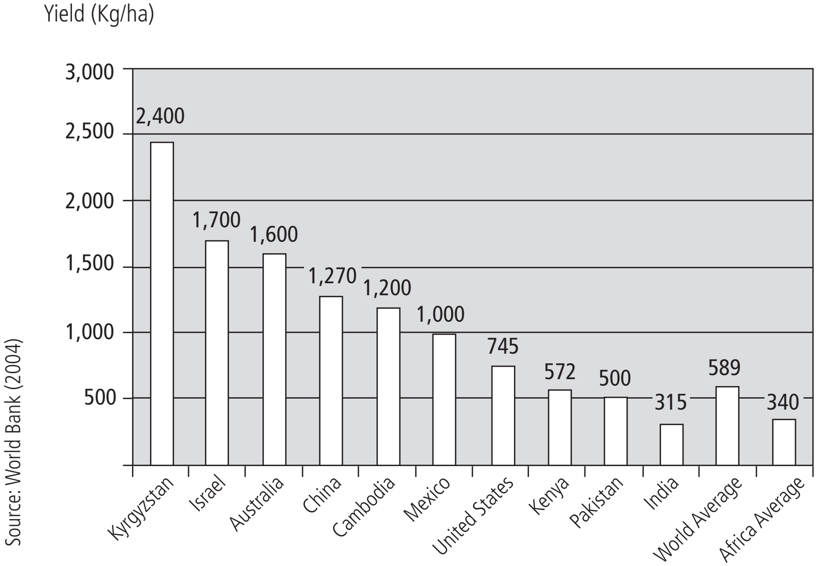
Cotton growing and Ginning
Cotton in Kenya is mainly grown by small-scale farmers in marginal and arid areas. It is estimated that Kenya has 140,000 small-scale cotton farmers down from over 200,000 in the mid-1980s when the industry was at its peak (EPZA, 2005). The Cotton Board of Kenya estimates that countrywide, 350,000 hectares of land is suitable for rain-fed cotton production with a potential to produce about 260,000 bales of lint annually. In addition, 34,500 hectares of Kenyan land is suitable for irrigated cotton production with an output potential of 108,000 bales of lint annually. However, as of 2003 only about 25,000 hectares were under the crop with a total lint production of a dismal 20,000 bales. Trends in production of seed cotton showed that the quantity of seed cotton produced declined from 19,314 metric tonnes in 2001 to 17,776 metric tonnes in 2003, representing a decline of 8 percent.

Cotton production in Kenya is characterised by a low average yield rate and poor cotton fibre quality. Figure 1 shows the cotton yields in selected countries with world and Africa average benchmarks. The figure shows that while cotton yield in Kenya is higher than that of Pakistan, India and Africa's average benchmark, it is much lower than those of strategic competitors such as China, Israel and Australia.

Ginneries are a focal point in the cotton industry. Their location, efficiency, capacity and organisation are critical to growth and development within the sector. There were 24 ginneries in Kenya in 2005 with an estimated installed capacity of 140,000 bales per year. The total annual lint production, however, currently stands at about 20,000 bales, which is significantly below the country's processing capacity and demand. The implication is that Kenyan ginneries could still handle production even if cotton output was to be increased by 600 percent. Table 1 shows the installed ginning capacity in the country per province.

The Table shows that Eastern and Central Provinces combined have higher installed ginning capacity but actual utilisation levels is less than a quarter. Coast Province has markedly high capacity utilisation. There are only about 10 ginneries that are currently operational. Some of the ginneries ceased operation due to shortage of raw materials and general mismanagement within the sub-sector.

Figure 1: **Cotton Yield Benchmark**



Source: World Bank (2004)

Table 1: **Installed Ginning Capacity by Province, 2002**

Province	Installed Capacity (Bales per Annum)	Capacity Utilisation %
Eastern/Central Province	43,375	24
Western	36,572	28
Coast	31,589	62
Nyanza	23,390	25
Rift Valley	4,253	24
Total	139,179	32.6

Source: EPZA (2005)

Yarn, Fabric and Garment Production

Before the decline of the textile industry in the early 1990s, there were 52 textile mills in Kenya devoted to fabric and yarn production. The mills had an installed capacity of 115 million square meters of fabric. It is estimated that the total annual fabric requirement in Kenya currently stands at 225 million square meters. With about a 50 percent decline in the number of textile mills in the country, coupled with drastic reduction in cotton production, Kenya's fabric demand greatly outstrips domestic supply. This implies that more gains, in terms of employment and income generation, can be derived from resuscitating the textile sub-sector in the country.

Garment manufacturing in Kenya has also experienced downturns over time. It is estimated that there were 110 large-scale garment manufacturers in the country in the early 1990s. The garment manufacturing sub-sector had a combined installed capacity to process fabric into garments of 141.3 million square meters. As in the case of textile mills, the number of garment manufacturers also went down over time. Specifically, the large-scale garment manufacturing concerns declined by half from 110 in early 1990s to 55 in 2004. Out of this, slightly more than half (29) are producing under the Manufacturing Under Bond (MUB) scheme while the rest (26) are registered under the EPZ programme. The actual number of garment manufacturers that are not covered in the framework of the two schemes are not documented.

2.2 Legal and Regulatory Framework

The institutional framework for regulating the textile and clothing industry in Kenya is placed under two government ministries. The Ministry of Trade and Industry oversees issues related to trade while the Ministry of Agriculture gives the framework for cotton growing and irrigation schemes. There is a Cotton Board of Kenya, functionally placed under the Ministry of Agriculture to coordinate production and marketing of cotton in the country. The Board was established under an Act of Parliament, Cotton Act (Chapter 335). The Act also provides for the promotion and regulation of the cotton industry. Other functions include to:

(I) Plan, monitor and regulate cotton growing and ginning;
(II) License and control ginners and other persons dealing with cotton;
(III) Regulate the export and/or import of cotton lint and seed;
(IV) Advise the minister on the pricing of raw cotton;
(V) Regulate and control the quality and supply of planting seeds through ginneries;
(VI) Carry out and promote research and development in cotton production and processing technology; and
(VII) Provide and/or co-ordinate training for any sector of the cotton industry

The textile and clothing industry has changed over time and this has created the need to revise the Cotton Act and other regulatory machinery. Consequently, the Ministry of Agriculture has prepared a bill to change the current Act into a more dynamic and responsive instrument.

3. Export Processing Zones

3.1 Level of Investment

Available data show that the number of gazetted EPZ zones in the country has increased gradually from 10 in 1993 to 41 in 2004 (Republic of Kenya 2005a; 1995). The number of operating enterprises within the zones has also grown from 12 in 1993 to 74 in 2004, representing an average annual increase of 47 percent (Kibua and Nzioki, 2004). Local investor participation, especially in the EPZs, has been significant. About 11 percent of the total EPZ firms are wholly Kenyan while joint ventures are 74 percent. The investors in the sub-sector are mainly drawn from Britain, Sri Lanka, Korea, China, India, Taiwan, Australia, South Africa, Germany, Italy and the United States of America.

According to the Export Processing Zones Authority, the total investment in the textiles sub-sector as at December 2003 was Ksh. 9.7 billion (US $132.9 million). Most of the large investors are in the EPZs while a few are under the MUB scheme. Table 2 summarises the level of employment, investment and exports by the EPZ garment manufacturing enterprises. The Table shows that the level of investment in garment manufacturing firms operating within the EPZs increased markedly from Ksh. 1.2 billion (US $ 16 million) in 2000 to Ksh. 9.43 billion (US $ 125.7 million) in 2003. A phenomenal growth in investment (211 percent) was recorded in 2000/2001. Growth in employment in the garment manufacturing firms closely mirrored this trend. Growth in exports was also significant, increasing from Ksh. 2.3 billion (US $ 30.7 million) in 2000 to Ksh. 11.08 billion (US $ 147.7 million) in 2003.

Table 2: **Employment, Investment and Exports by EPZ Garment Firms, 2000-2003**

Year	No. of Firms	Employment (Nos.)	Investment (Ksh. Billion)	Total Export (Ksh. Billion)
2000	6	6,487	1.2	2.3
2001	17	12,002	3.74	4.29
2002	30	25,288	6.90	8.15
2003	34	32,095	9.43	11.08

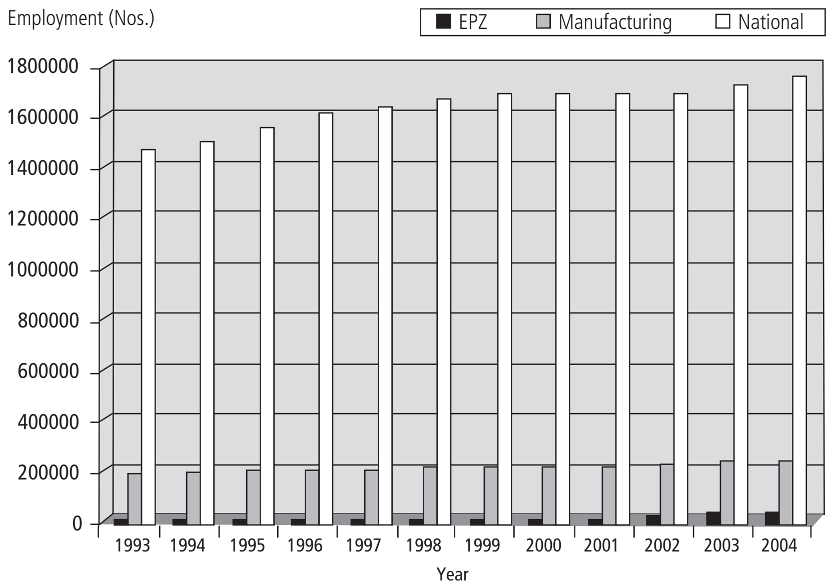
Source: EPZA (2005)

3.2 Employment

The textile and clothing industry has made a major contribution to employment creation and poverty reduction in Kenya. It has the capacity to create both direct and indirect employment opportunities. Though there is lack of accurate data on the actual level of employment created by all the units within the sub-sector, estimates show that the industry has created over 50,000 direct jobs and 150,000 indirect jobs. Employment data relating to the EPZs are fairly documented. The figures reveal that direct employment of Kenyans in all EPZ firms has grown from 1,594 persons in 1993 to 37,723 persons in 2004. The number of "expatriate" workers in the EPZs have been low as compared to local employees. For example, in the period 1998-2004, expatriates constituted about 2 percent of total staff.

Figure 2 shows a trend analysis of the level of employment within the EPZs, compared with total manufacturing employment and the national wage employment level.

Figure 2: **Employment Levels, 1993 - 2004**



Source: Republic of Kenya: Economic Survey (various), Government Printer Nairobi.

As reflected in Figure 2, the level of employment within the EPZs has grown over time from a negligible proportion of total manufacturing and national employment in 1993 to noticeable numbers in 2004. Total employment generated by the EPZs increased from less than 1 percent (0.84) of manufacturing employment in 1993 to 15.9 percent in 2004. In 1993, EPZ employment constituted only 0.11 percent of the total national wage employment. By 2004, the proportion had increased to 2.19 percent. Despite the significant rise in employment, the impact of EPZs in the promotion of the welfare of workers is still limited.

3.3 Wages and Working Conditions

The EPZs in Kenya are mainly characterised by unfair and restrictive labour practices including low wages, inadequately compensated overtime, sexual harassment and the violation of the organisational rights of workers. A survey of firms in the EPZs shows that wages in the zones are paid according to occupational categories of workers or sections in which the workers are engaged. The dominant occupational divisions (sections) in the EPZ factories are machining, ironing, cutting, packaging, cleaning, quality control, finishing and maintenance.

Salary records of the firms show that the lowest paid categories of employees are helpers, who earn an average of Ksh. 4,300 (US $ 58) per month[2]. The average wage rate for the labourers in the firms is only marginally (0.5 percent) above the Ksh. 4,279 (US $ 57.8) gazetted statutory wage rates for labourers in the region in 2005. Employees in quality control, maintenance and cutting sections are the highest paid, earning an average of Ksh. 7,419 (US $ 100.3) per month. Table 3 shows the monthly wages paid in various sections in selected EPZ firms in Kenya[3].

Table 3 shows that average monthly pay in the firms ranges between Ksh. 4,469 (US $ 60.4) paid in firm F and Ksh. 5,991 (US $ 81) being the average wage rate in firm A. The lowest average wage rate of Ksh. 4,469 (US $ 60.4) is about 40 percent lower than the average minimum monthly wage payable in Nairobi, Mombasa and Kisumu cities in line with the provisions of the Regulation of Wages and Conditions of Employment Act (CAP. 229), Laws of Kenya. It is also about 35 percent lower than the average minimum monthly wage payable to workers in Municipalities as provided for under the regulated Regulation of Wages and Conditions of Employment Act (CAP. 229), Laws of Kenya.

2 Average exchange rate is 1US $ = Ksh. 74
3 Actual firm data but letters used to hide identity of firms.

Table 3: **Monthly Wage Rates in EPZ-Companies Per Section (Ksh.)**

Section/Firm	A	B	C	D	E	F	G	H
Machine	5,626	4,913	5,100	4,903	5,000	4,983	5,242	4,913
Ironing	5,200	4,913	4,800	4,903	5,000	4,174	4,983	4,335
Finishing	5,000	4,913	4,567	-	5,200	4,491	4,684	4,335
Cutting	7,200	7,000	4,367	7,345	7,800	4,491	4,684	5,400
Packaging	5,000	4,335	4,300	4,903	5,000	4,491	4,684	4,335
Cleaning	5,000	4,335	4,300	4,903	4,335	4,174	4,684	4,335
Quality Control	7,200	–	–	7,358	5,086	4,476	–	–
Maintenance	7,700	–	–	–	–	–	–	–
Average	5,991	5,068	4,572	5,719	5,346	4,469	4,827	4,609

Source: Tailors and Textile Workers Union (TTWU) Records

Overall, the average basic wage rate for the eight firms was Ksh. 5,075 (US $ 68.6), which constitutes only 34 percent of the aggregate mean wages (Ksh. 14,886) paid by unionised firms in Kenya in 2004. The average wages for the selected EPZ firms were also 29 percent lower than basic wages paid in the textile, wearing apparels and leather sector in Kenya in the year 2004 (MLHRD, 2005). The low relative wages paid in the EPZs confirm findings of other studies that EPZs pay poverty wages (Human Rights Report, 2004).

Omolo and Omiti (2004) highlight that in 1997 the urban poverty line in Kenya was Ksh. 2,648 per adult equivalent. Assuming constancy, the lowest average wage rate paid in the EPZ firms is 67 percent above the poverty line. However, since 1997, the cost of living has changed by a cumulative figure of at least 62.8 percent (Republic of Kenya, 2005). The implication is that the estimated poverty line has increased by the change in the cost of living to about Ksh. 4,311 in 2004. Thus, the lowest average EPZ wage is only 3.7 percent above the estimated poverty line for 2004. Clearly, the wage rate is way below the expenditure requirement for a household of six as understood within the Kenyan context. The wages offered cannot, therefore, guarantee a worker and his/her family attainment of basic essentials of life as envisaged in many government policy documents, including the country's wage policy guidelines issued in November 2005.

Overwhelming evidence exist in support of the conclusion that the majority of EPZ factories in Kenya blatantly violate both Kenyan and international laws and conventions that protect employees' rights to associate freely and join a trade union of their choosing without interference or harassment from their employer. Of all the garment EPZ firms in the country, only 8 firms (7 in Athi-River and 1 in Mombasa) have signed a recognition agreement with the legitimate trade union body (Tailors and Textile Workers Union, TTWU) mandated under the Kenyan laws (Trade Unions Act, Chapter 233) to organise and represent workers in the industry. The others, especially those based in Ruaraka-Nairobi and Mombasa, have persistently refused to grant recognition to the union despite the latter having recruited and presented a union membership list signed by a majority of the workers as required by Section 5(2) of the Trade Disputes Act (Chapter 234), Laws of Kenya. In one occasion, the TTWU secured an Industrial Court Award compelling an EPZ company to sign a recognition agreement with it but the company has remained adamant and refused to sign. The box below gives a summary of the incidences leading to the case in question:

The TTWU first presented the management of company X with duly signed union affiliation forms in line with Kenyan labour laws in June 2000. In this submission, the union forwarded a list of 524 employees out of the company's total unionisable workforce of 700, representing a recruitment level of 74.9%. Kenya's Trade Disputes Act (Chapter 234) requires attainment of simple majority (51%) for union recognition. The company, however, refused to grant the TTWU recognition. They also refused to effect a check-off system, which according to the Trade Disputes should be accepted by any employer as long as an employee has consented through the signing of union affiliation forms.

Following the refusal by the company to recognise the union and effect check-off procedure, the TTWU reported the existence of a trade dispute to the Minister for Labour and Human Resource Development on 21st July 2000. The Labor Minister accepted the dispute and appointed an investigator on 15th September 2000 as per the provisions of Section 7 of the Trade Disputes Act (Cap. 234, Laws of Kenya). The government investigator established that the union had indeed attained the mandatory requirement of recruiting a simple majority (51%) of the workers as its members. The investigator recommended, therefore, that the TTWU be accorded formal recognition by the employer to facilitate, among others, commencement of collective bargaining processes. In the investigation report, the government investigator noted that the factory management had in several occasions refused to attend meetings proposed by both the union and the Ministry of Labor to discuss the issue in dispute (Recognition).

Even after receiving the investigation report, company X still refused to recognise the TTWU. Consequently, the Minister for Labor, acting on powers bestowed on him by Section 8 of the Trade Disputes Act (Cap. 234, Laws of Kenya), referred the matter to the industrial court for final arbitration. The matter was referred to the Court on 19th May 2003. On May 3, 2004, following a hearing evidence concerning the case, the Industrial Court issued a unanimous ruling. In this ruling, the Court held that: "The Court has no doubt in its mind that this is a blatant case of Unfair Labor Practice adopted by the Company in order to bring to an end any relationship between them and the Union, and with a cynical indifference to its effects on the peace and harmony within their industry….In the result and on the balance of probabilities, this Honourable Court is satisfied that this is a fit case for recognition of the union by the Company; and given a chance, all or almost all of the Company's employees will join the Union as members. Accordingly, I uphold the Minister's recommendation and award that the Company accord formal recognition to the Trade Union, and the parities must sign a recognition agreement within two (2) months of the date of this Award."

The TTWU, however, still remain unrecognised by the company, more than a year after the Industrial Court ruling. Company X continues with its operations uninterrupted!

4. Domestic Production, Imports and Exports

4.1 Domestic Textile and Clothing Production Versus Imports

Local textile manufacturers supply only 45 percent of Kenyan textile market requirements while imported new and used garments and imported fabric account for up to 55 percent of the market. Demand for textile products in the country is estimated to be growing at 3.8 percent per year. Table 4 provides a summary of the local textile market.

Table 4: **Local Textile Market, 2004**

Item	Fabric Equivalent (Million Square Metres)	Market Share (%)
Imported Fabric	32	17.5
Imported New Clothes	38	20.8
Imported Used Clothes	30	16.4
Local Manufactured Items	83	45.3
Total	183	100.0

Source: Republic of Kenya: Economic Survey, Government Printer, Nairobi.

Currently, there are 35 textile mills in the country. If the mills were to operate at their installed capacity, they would be in a position to create an additional demand for cotton lint of 60,000 bales per year[4], to help meet the increasing demand in the country.

4.2 Growth of Textiles and Garment Exports

The main exports in the textile sub-sector in Kenya are yarn, fabrics and made-up textiles. The volume of textiles traded in 2003 was 1,854 tonnes. This was some 18 percent below the volume exported in 2002. Textile exports from Kenya enjoy preferential access to regional and world markets under a number of agreements. Exports of textiles and garments to the East African Community (EAC) increased from Ksh. 1.9 billion (US $ 25.3 million) in 1990 to Ksh. 45.5 billion (US $ 606.7 million) in 2002. Table 5 summarises the composition of Kenya's exports to the EAC partner states (Uganda and Tanzania) in 2003. The data show that Tanzania imports more fabrics from Kenya than Uganda while Uganda consumes more than twice the value of made-up articles bought by Tanzania.

Table 5: **Kenya's Textile and Garment Exports to EAC in 2003 (Ksh. '000)**

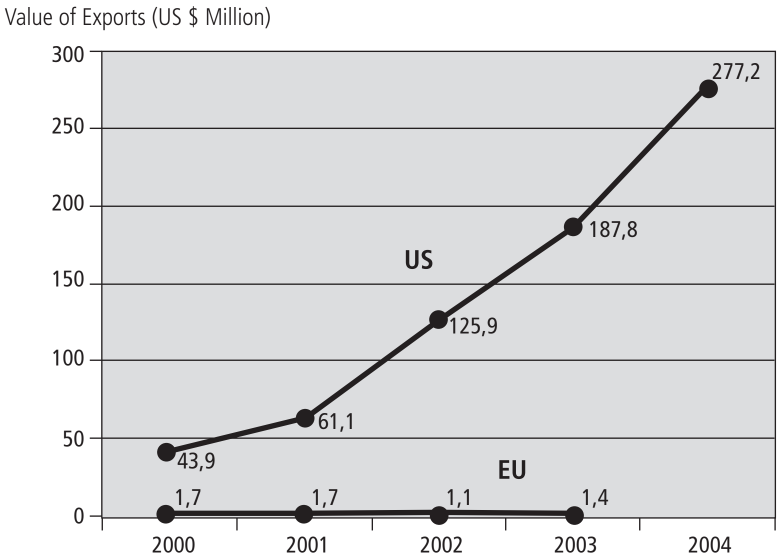
Country	Textile Yarn	Fabrics: Woven/Made	Made Up Articles
Tanzania	140,135	180,726	135,391
Uganda	122,293	39,796	286,509
Total	262,428	220,522	421,900
Republic of Kenya (2003)			

Kenya's textile and apparel exports to the Common Market for Eastern and Southern Africa (COMESA) for the year 2003 totalled Ksh. 550.4 million (US $ 7.3 million). The Democratic Republic of Congo (DRC) was the highest importer of Kenya's textile and garment products, totaling Ksh. 236 million (US $ 3.1 million). During the year (2003), Rwanda imported textile and apparel goods from Kenya worth Ksh. 88 million (US $ 1.2 million) while Ethiopia consumed Kenyan textile and apparel exports valued at Ksh. 55 million (US $ 0.7 million).

4 Current demand is estimated at 120,000 bales per annum.

The major export market for Kenyan textiles and garmentsis the US market. Kenya's exports of textiles and garments to the US under the AGOA framework have increased from Ksh 3.4 billion (US $ 45 million) in 2000 to Ksh. 20.8 billion (US $ 277 million) in 2004. Exports of textiles and garments to the European Union (EU) have been significantly below a billion shillings (Ksh. 0.13 billion or US $ 1.7 million) since the year 2000. The value of the exports of textiles and garments to the EU has declined from US $ 1.7 million in 2000 to US $ 1.4 million in 2003. Figure 3 shows the trend in the values of Kenya's textile and garment exports to the US and the EU over the period 2000-2004.

Figure 3: **Value of Textile and Garment Exports to US and EU, 2000-2004 (US$ Millions)**

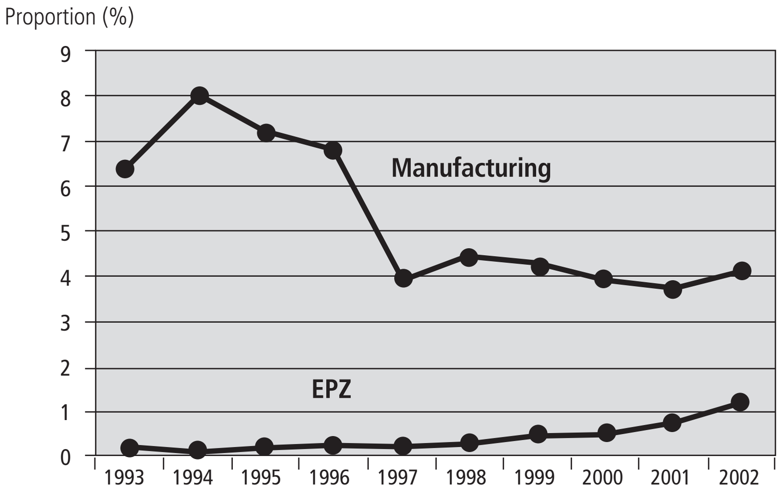


Source: Republic of Kenya, Economic Survey, Government Printer, Nairobi.

4.3 Importance of Textile and Garment Exports to Kenyan Economy

Textile and garment exports are important to the Kenyan economy in terms of generation of foreign exchange and incomes. An analysis of the value of national exports for the period 1991-2002 shows that the manufacturing sector has contributed about 23 percent of the total value of Kenyan exports over the period. The importance of EPZ exports to the national economy has remained dismal,

Figure 4: **Proportion of Manufacturing and EPZ Exports to GDP, 1993-2002 (%)**



Source: Republic of Kenya, Economic Survey (various), Government Printer, Nairobi.

gradually increasing from 0.2 percent in 1993 to 1 percent in 2002. Figure 4 shows the proportion of manufacturing and EPZ exports to the country's GDP.

Garment manufacturing remains the dominant sector in the EPZ, constituting about 41 percent of the firms within the zone. In 2004, the garment manufacturing enterprises in the zone contributed 92 percent of local employment, about 74 percent of total sales and 63 percent of local resource utilization (EPZA, 2005).

5. National Policies on the Textiles and Garment Sector

The textile and garments sector is an important component of the trade and industry sector of the economy. It is, therefore, one of the key sectors targeted for employment creation and poverty reduction in the country. The Kenyan government has outlined a number of policies aimed at promoting growth and development within the sector. These policies are contained in various policy documents, mainly the Economic Recovery for Wealth and Employment Creation (2003-2007) and the accompanying Investment Programme for the Economic Recovery Strategy.

To increase trade and investment within the sector, the government has proposed to review trade licensing agreements, to provide market information to Kenyan manufacturers, to support the private sector in identifying new markets, to improve the quality of Kenyan goods and to reduce non-commercial risks. Other measures proposed include promoting trade fairs and putting in place mechanisms for continued exploitation of benefits accruing from AGOA trade opportunities. The government has also pledged to improve the business climate by developing a new regulatory framework for finance and infrastructure, strengthening the rule of law, improving security and reducing the number of regulations and steps required for investing in the country.

6. Reactions of Trade Unions Towards the Crises

Kenyan trade unions have been greatly affected by the crises in the textile industry. The collapse of the industry in the last quarter of the 1980s saw a majority of workers being declared redundant. This meant a significant loss of membership by the unions and the erosion of confidence of workers on the capacity of trade unions to organise, protect and promote the welfare of workers. The revival of the industry, especially through the EPZs, has not helped in improving the situation. This is mainly attributed to the restrictive nature of the country's regulations, particularly on trade union recognition and collective bargaining. Most of the EPZ firms have, for example, not recognised the relevant trade union body mandated to organise workers within the industry.

Hostile membership recruitment environment, lack of interest by workers and poor service delivery to existing union are some of the factors that limit effective trade union organisation and representation of workers, especially within the EPZs. Most EPZ firms have a negative attitude towards trade unionism and do not allow union officials access into the firms to undertake sensitisation and recruitment activities. Workers, on the other hand, fear associating with the union as this can lead to their dismissals. A number of workers have over time been coerced by their employers either to resign from the unions or to join the management group. For example, in 2004 one of the EPZ firms in the country coerced and ensured massive resignation of about 150 workers from the TTWU. Focus group discussions with some of the factory workers and union representatives revealed that the mass "resignation" was instigated and supervised by the factory management who provided the workers with model resignation letters and walked around to ensure that the workers "resigned as required". The workers were told that failure to "resign" from the union would lead to their dismissal. A random check of copies of the said letters indicated that their wordings were the same except for employee's names, as shown in the box below. All the letters were also written on the same date with same details of the addressee.

Non-recognition of unions by some employers is a major factor hindering the improvement of the welfare of workers, especially in the EPZs. Kenya's existing labour legislation and constitution guarantee workers the right to freedom of association and collective bargaining. Enjoyment of such right is, however, dependent on a trade union being accorded recognition by the company in question. Non-recognition by unions are also blamed on weak union recruitment strategies.

The reaction by trade unions towards the crises in the textile industry has been piecemeal and uncoordinated. The limited advocacy and lobbying campaigns that have been done did not take an integrated approach to create a critical mass of voice that would awaken government to see the seriousness of the problem at hand. Non-coordination amongst trade unions in Kenya is a major setback in this front.

To
Tailors and Textile Worker Union
Consulate Chambers,
Race Course Road,
P.o Box 72076,
Nairobi

(Date)
I *(name of employee)* ID NO. *(Identification card number of employee)* working as a *(job designation of employee)* in *(name of company)*. I am not willing to join your union and I have informed the same to *(name of company)* with a photocopy of this letter along with another request letter to *(name of company).*
Yours sincerely,
(Employee's signature)
(Name of employee)

7. Conclusion

Poverty reduction and creation of productive and sustainable employment opportunities remain major policy objectives in Kenya. Despite several policy interventions, Kenya is still faced with high incidences of poverty, unemployment and low economic growth rates. Textile sub-sector constitutes an important component of the manufacturing sector in Kenya. However, inward looking policies initially pursued by the government, massive dumping of used clothes, illegal importation, expiry of the ATC quota regime, and general mismanagement of the agricultural and co-operatives sectors significantly undermined growth prospects and competitiveness of the textile sub-sector in the country. The industry is also under severe stress from Asian imports, particularly China and it is less likely that it can withstand the surge. Consequently, a number of firm closures and lay-offs have been reported in the country's textile industry, thereby aggravating the unemployment and poverty situations in the country.

Kenyan trade unions have been greatly affected by the crises in the textile industry. The collapse of the industry has seen a majority of workers being declared redundant. This means significant loss of membership by the unions and the erosion of confidence of workers in the capacity of trade unions to organise, protect and promote the welfare of workers. The revival of the industry, especially through the EPZs has not helped in improving the situation either. This is mainly due to the restrictive nature of the country's regulations particularly on trade union recognition and collective bargaining. Most of the EPZ firms have, for example, not recognised the relevant trade union body mandated to organise workers within the industry.

Reaction by trade unions has been piecemeal and uncoordinated. While the unions continuously voiced their reservations about cheap imported textile products, the same was done without any data-based research to show the magnitude of the problem. In addition, the few advocacy and lobbying activities by the unions have not focused on the relevant government machinery and policy making organs. Such campaigns have also failed to command a critical mass of support from other sectoral unions or civil society organisations to help influence change of policy discourse.

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