



Viffa Consult



# State of SME Human Resource in Kenya 2021

Turbines Behind the Economic Engine



## Contents

Acronyms	1
Study Methodology	1
Acknowledgment	2
Introduction	2
Results	2
Number of Employee Distribution	2
Average Monthly salary distribution (Kes)	3
Mode of Employee Remuneration	3
Forms of Employee Relation with Business Owner	4
Preferred Employee Engagement Mode	4
Employee Type	5
Employee Recruitment Approach Preferred	5
Preferred Employee Education Level	6
Preferred Employee Training-Capacity Building Approach	6

## Acronyms

<b>GDP</b>	<b>Gross Domestic Product</b>
<b>HR</b>	<b>Human Resource</b>
<b>KNBS</b>	<b>Kenya National Bureau of Statistics</b>
<b>MSME</b>	<b>Micro Small Medium Enterprise</b>

## Study Methodology

Study tool	Online & Telephone survey
Sample Design	Purposive {Counties; Nairobi, Kisumu, Machakos, Kiambu, Eldoret, Mombasa, Nakuru} Random {Within counties}

## Acknowledgment

Deepest gratitude to Viffa team that worked tirelessly to bring the report to fruition. A big thank you to all entrepreneurs who participated in the survey as well as key experts who shared their expertise.

## Introduction

Kenyan SMEs are the backbone to the economy contributing 33 percent of GDP, constitute over 98 percent of all businesses and employ over 30 percent of the working population.

Despite SMEs prolific performance; the sector is riddled with challenges affecting their going concern or sustainability leading to job losses and diminished job quality with Kenya grappling with a high poverty rate of 36 percent and an increase in new entrants to the job market at an annual rate of 1 million.

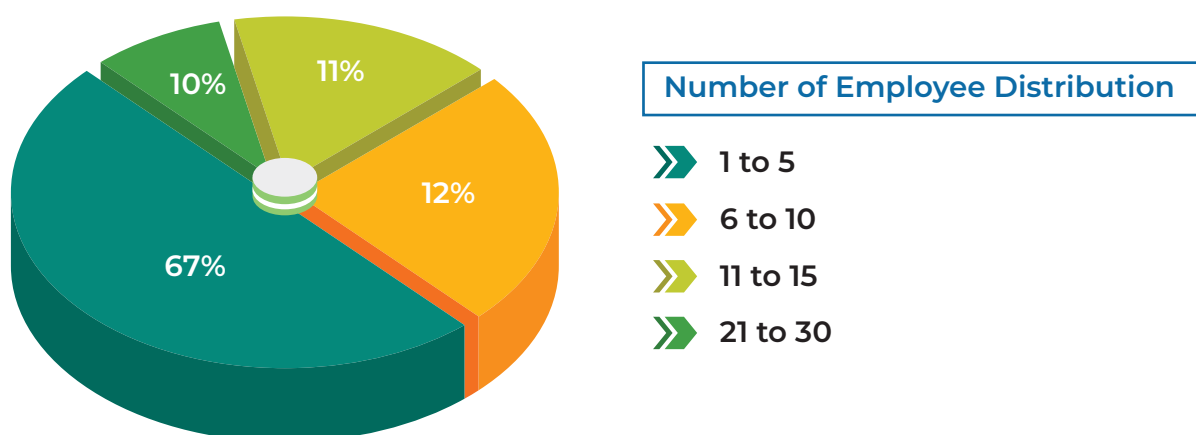
According to KNBS 2016 MSME survey only 63.8% and 16.5% were paid employees for licensed and unlicensed respectively which sheds some light on the state of human resource within the SME sector.

Viffa conducted an exploratory study on the state of SME Human resource with the following key objectives;

- 1- Establish forms and types of employees
- 2- Establish income trend
- 3- Establish HR recruitment and development trend

## Results

### Number of Employee Distribution

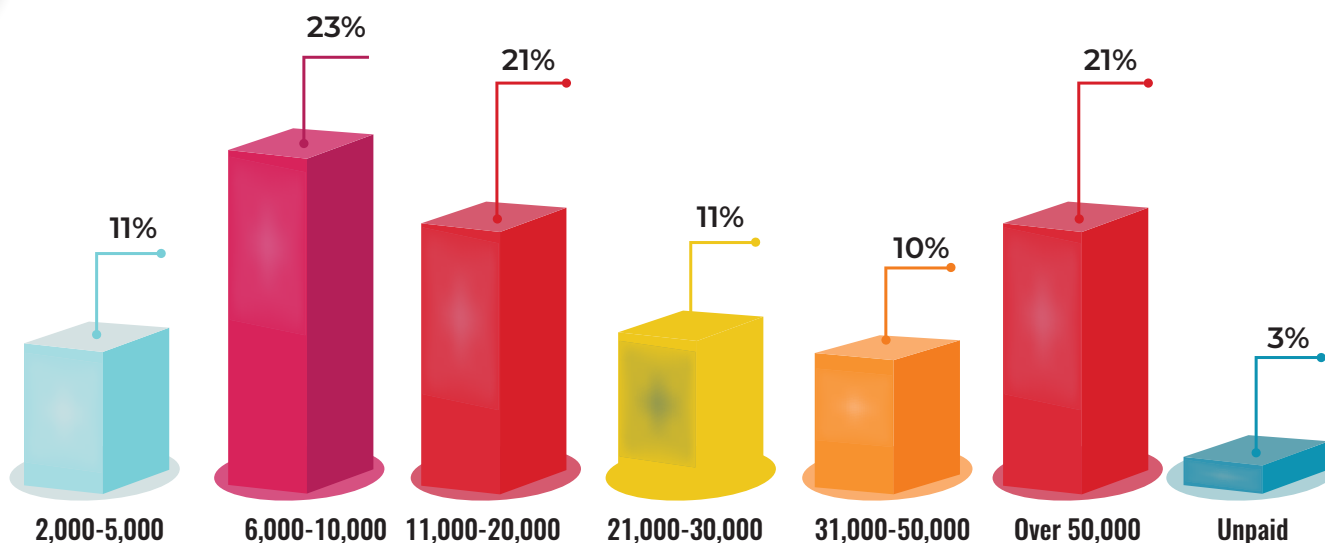


## Insight

79 percent of SMEs interviewed had between 1 and 10 employees with a bulk (67 percent) employing between 1 to 5 employees. Further 11 percent employed between 11 to 15 employees and finally 10 percent employed between 21 to 30.

The data on employee number can be corroborated with KNBS MSME 2016 report which places Micro and Small businesses at over 90 percent of total MSME population

### Average Monthly salary distribution (Kes)

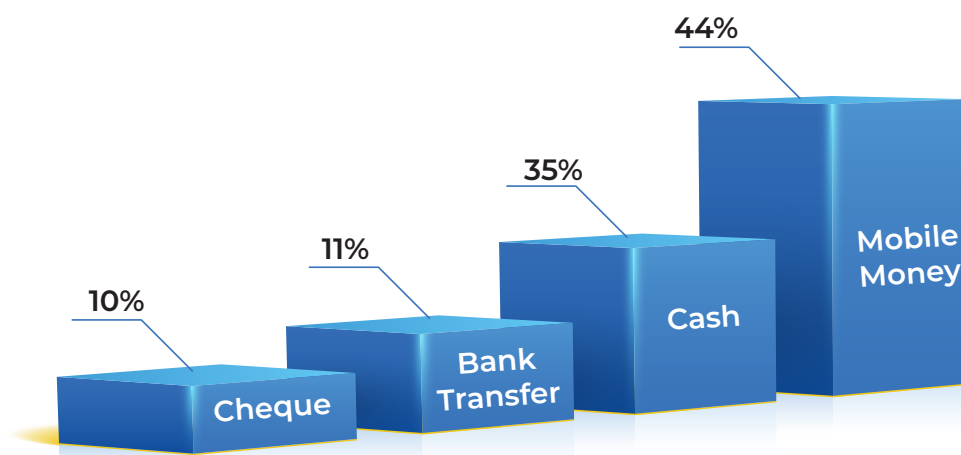


## Insight

55 percent of SMEs respondents paid an average salary of less than Kes 20,000, 22 percent between 21,000 to 50,000 Kes and 21 percent over Kes 50,000 and finally 3 percent indicated they didn't pay salaries either due to family relations with employee or due to retrenchment

Sectors that paid a monthly average of over Kes 50,000 were; media and entertainment, financial, construction and business support services

### Mode of Employee Remuneration

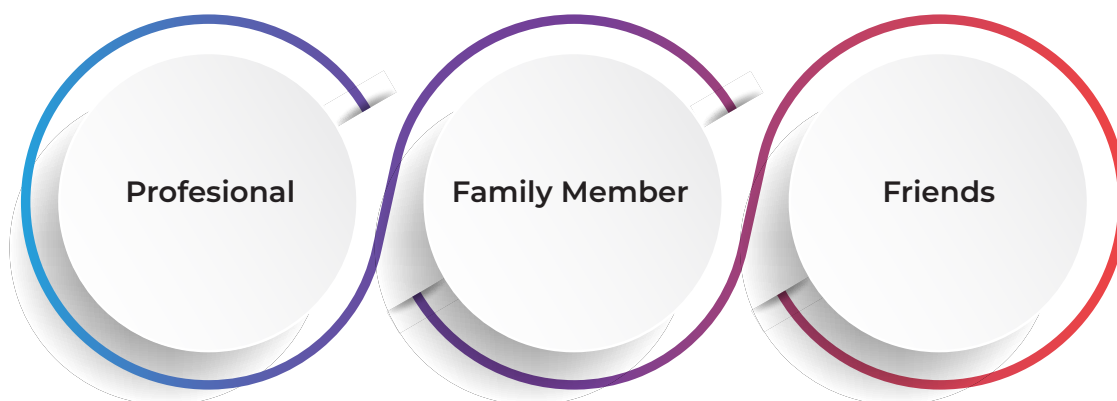


## Insight

Payment through mobile money and cash remains the major mode of payment of remuneration for SME respondents accounting for 79 percent with bank transfer and cheque accounting for 11 and 10 percent respectively.

Payment through mobile money presents in the following form; direct transfer to recipient phone and cash withdrawal from an agent. Between the two the cash withdrawal from mobile money agents was preferred for two reasons; cost of withdrawal is borne by sender and recipient avoiding funds being "cut" from mobile credit providers such as Fuliza by Safaricom.

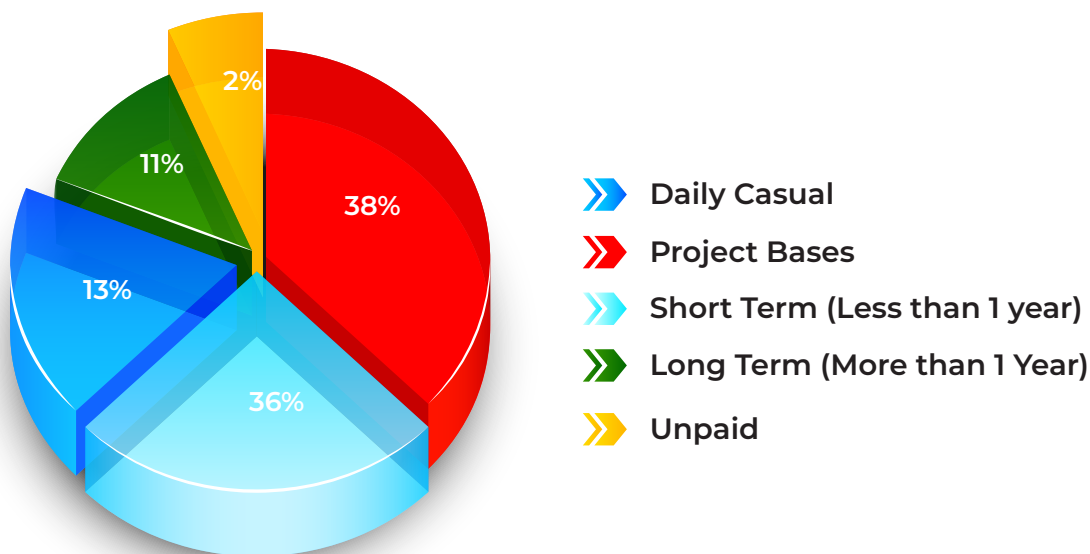
## Forms of Employee Relation with Business Owner



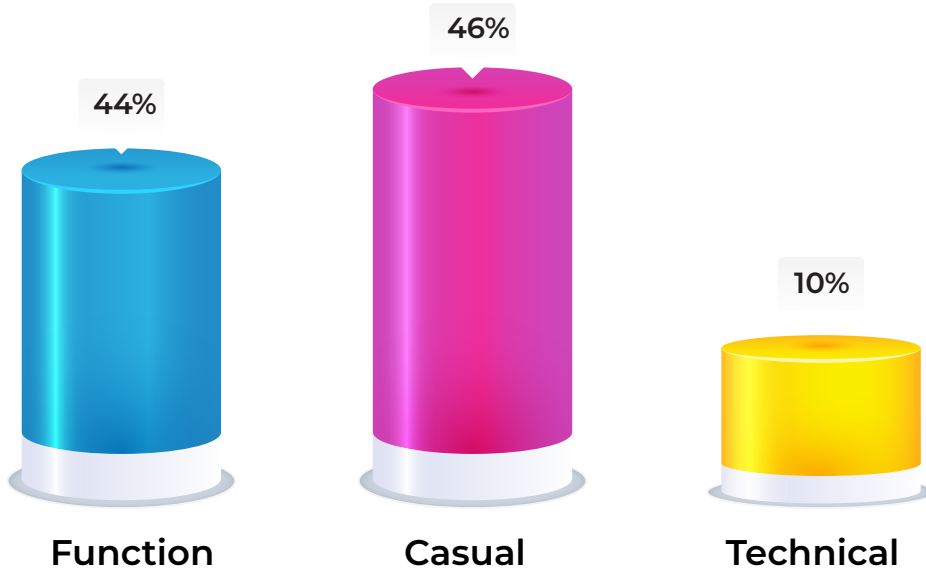
## Insight

Majority of employees of SMEs that responded to the study indicated having relationship with employees that is in the forms of family relations as well as close friends

## Preferred Employee Engagement Mode



## Employee Type

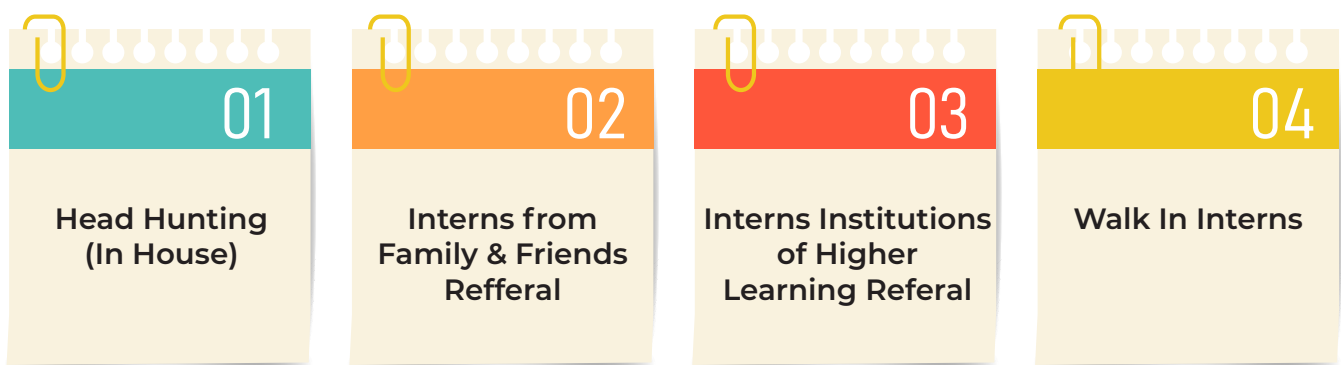


### Insight

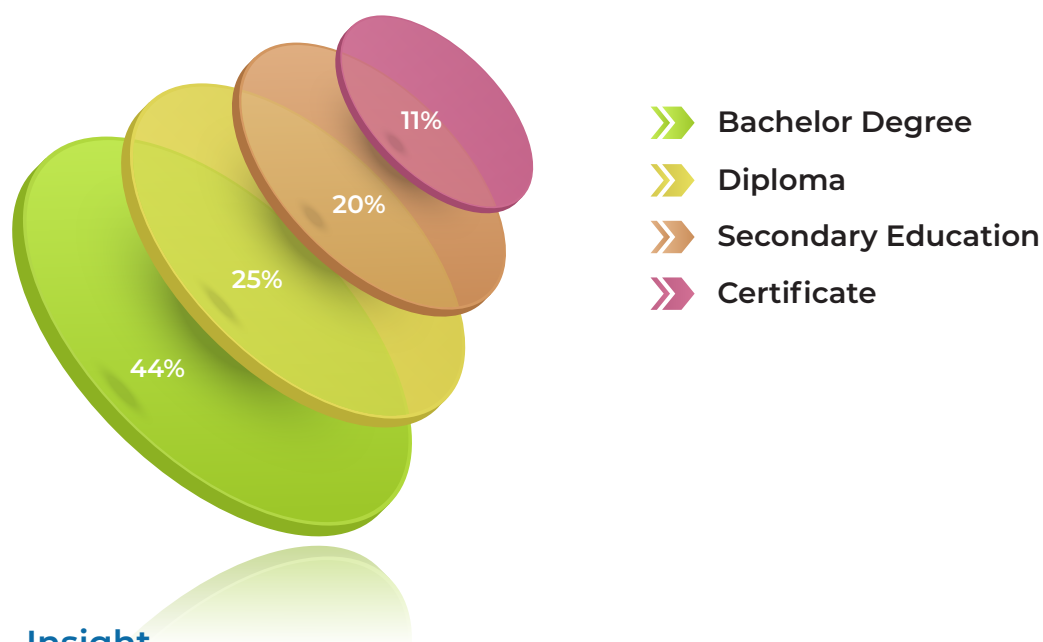
46 percent of SME respondents preferred casual type of employees which is mostly unskilled in nature and reflects the sector distribution of SMEs majority of whom are in wholesale-retail

44 percent of SME respondents preferred function based employees and 10 percent technical based employees.

## Employee Recruitment Approach Preferred



## Preferred Employee Education Level



### Insight

Although majority of SME respondents preferred higher education of Diploma and Bachelor's Degree accounting for 69 percent, there is a mismatch as the SMEs actually use majority as casuals and function based which are mostly semi-skilled

This pattern resonates with SMEs where majority are informal and lean towards less technical sectors such as wholesale retail, food and accommodation

## Preferred Employee Training-Capacity Building Approach



### Insight

Despite preference for high education there is a possibility of education industry mismatch as most SME employers prefer on job training/ apprenticeship for employees.

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