



Friday 25th September 2020

PRESS STATEMENT

SURVEY FINDINGS ON THE IMPACT OF COVID- 19 ON ENTERPRISES

FKE Members,

Members of the Fourth Estate,

Members of the Public,

The Federation of Kenya Employers (FKE) represents the collective interest of Employers in Kenya and is one of the tripartite Social Partners in the labour sector alongside the Government, through the Ministry of Labour and Social Protection and the Central Organization of Trade Unions (COTU)- Kenya. FKE represents a direct membership of over 1900 enterprises from all sectors of the economy employing approximately 2.3 million staff out of the total number of 2.7 million employees who work in the formal sector.

In the month of August 2020, the Federation of Kenya Employers conducted a survey across its member organizations to better understand how businesses can emerge from the Covid -19 pandemic. It assessed the business environment before the Covid -19 pandemic, the impact of the pandemic in the 5months of March to July and the areas of support required for businesses to recover and prosper post the pandemic.

The survey was administered to all FKE Members

1. EFFECTS OF COVID-19 ON BUSINESSES

The survey found out that Finance & cashflow, operations and Supply Chains of Businesses are worst hit by Covid -19.

- 84% of enterprises reported that the effect of Covid-19 on their cashflow was adverse. 79% reported that their operations were adversely affected and 75% indicated that their supply chains were adversely affected.

Two thirds of private sector enterprises feel that the government has not done enough in helping them overcome the challenges of Covid-19

- 69% of the enterprises indicated that the interventions by the government were not helpful in mitigating against the adverse impact of Covid-19 on their Finance and Cashflow. 66% and 60% respectively indicated that government interventions were not helpful in mitigating against the adverse impact of Covid-19 on their supply chains and operations.
- This calls for government to do more and offer innovative solutions towards supporting enterprises to realize a quick economic recovery. Some of the urgent measures that will have an impact include further reduction of corporate taxes, including removal of the **1% revenue tax** that is to kick in on 1st January 2021. Other measures would include, setting up a **Wage Support Fund** for companies, speeding up the effort to open-up more trading markets and lifting the ban on night transportation especially for cargo. In addition, the Central Bank should work with Commercial Banks to come up with a framework for loan repayments that is linked to enterprises cashflow.

2. IMPACT OF COVID-19 ON JOBS

The report also highlighted that Covid-19 wiped out 8.3% of employment in the formal private sector between March and July 2020

- From the survey, the average number of employees in respondent companies reduced from 406 to 372. This is 8.3% reduction in the total number of employees.
- Considering that the formal private sector wage employment in 2019 stood at 2.06M and grew by 2.3% as per the Kenya National Bureau of Statistics (KNBS) Economic Survey 2020, this means that Covid-19 has led to the loss of 173,743 jobs in the formal private sector in 5 months (March – July) . This is a huge loss considering that for the last 5 years since 2015, only 218,800 jobs had been created in the sector. Covid -19 has wiped out 80% of all jobs created in the modern private sector since 2015.

The survey established that more than half of the private sector enterprises do not have enough resources to meet their staff costs in the next six months

- 51% of the companies which participated in the study indicated that they were planning to reduce staff costs over the next six months after the survey. Only 30% of the companies studied indicated that they had enough resources to meet their wage obligations in the next six months. This indicates that more job losses are expected.
- This situation shows that if the government does not intervene in helping enterprises in improving their cash flows, then more than a million formal sector workers are at risk of losing their current incomes on jobs.

Two thirds of formal sector enterprises decry high labour costs and employment entitlement. (Benefits)

- 71% of the respondents indicated that labour costs and employment entitlements benefits constrain their recruitment decisions
- As we grapple with the youth unemployment challenge, we need to support enterprises to create more job opportunities. This therefore necessitates greater collaborative work among the Social Partners to stabilize the work environment and maintain competitive labour costs. We therefore continue to ask Trade Unions to support the spirit of the Memorandum of Understanding (MOU) when it comes to managing the labour costs to enable enterprises to recover and maintain peoples jobs.

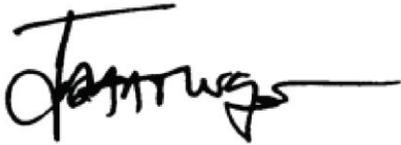
3. WORKING FROM HOME ARRANGEMENTS

Enterprises need support to be able to implement Work from Home arrangements

- The findings indicate that the majority of enterprises are not ready for “Work from Home” arrangements. Only 10% of the enterprises that responded were successful in making arrangement for their staff to be able to work from home. Among the organizations who reported that they had made plans for their employees to work from home, indications were that only 20% of their staff were actually able to work from home.
- More therefore needs to be done to create favorable conditions that support work from home arrangements. These include, provision of Guidelines on “Work from Home” arrangements to guide employers, enhancement of technology infrastructure to enable work from home arrangements and to come up with the residential housing reforms to accommodate work from home arrangements.

4. CONCLUSION

- a) Supporting enterprises to return people to work is the most crucial and important action the government and any other stakeholder needs to take as we get to the Covid-19 Conference next week. Any outcome short of a clear strategy to help enterprises recover and return people to work will not help in the much-anticipated recovery.
- b) Businesses are in dire need of support to help them access and generate finances to help their cash flow. This includes linking loans repayment and credit facilities to cashflow projections.
- c) The Government needs to implement measures that impact positively on business operations and supply chains. This includes strengthening internal markets and access to regional markets.



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FEDERATION OF KENYA EMPLOYERS