THE CASE FOR A POLICY FRAMEWORK TO SUPPORT PRODUCTIVITY MAINSTREAMING INTO THE KENYAN ECONOMY

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Abstract
This study investigates the probable causes of the very low levels of productivity consciousness in both the public and private sectors of the Kenyan economy. It identifies impediments to the realization of a complete and functional productivity mainstreaming into the economy including; lack of integration of productivity into the country's education and training programmes, weak broad based productivity driven research and development, poor productivity infrastructure and weak productivity governance among others. Consequently we propose possible interventions which we argue do constitute the basic building blocks for a productivity policy framework. In conclusion we argue that success of the proposed interventions depend on the commitment of all stakeholders to effective co-ordination of actions and interventions and to implementation, monitoring and evaluation.

Keywords: Competitiveness, Efficiency, Kenya, Productivity Policy, Skills-Mix, Vision 2030

INTRODUCTION

Vision 2030 is the new long-term development blueprint for Kenya. The stated aim of the vision is to create "a globally competitive and prosperous country with a high quality of life by 2030". It aims to transform the country into a newly-industrialising, middle-income country providing a high quality of life to all its citizens in a clean and secure environment. This blueprint is therefore, the clearest indication that the government has become increasingly aware of the need to boost the country's competitiveness. It is the requirement of competitiveness that acts to catapult productivity to the national agenda as a key measure to mobilize the Kenyan economy into a stable and sustainable growth path. Productivity is a major determinant of competitiveness as it enhances the capacity of firms to become viable and profitable thereby creating sustainable jobs. Indeed, *Vision 2030* acknowledges that productivity improvement is critical to enhancing growth and economic prosperity.

Globally, a considerable body of knowledge has been built up over the years regarding the role of productivity in driving economic growth and underpinning international competitiveness, higher living standards, employment and organizational success. Given these powerful linkages, extraordinary efforts are required to not only measure productivity, but to also inculcate the practice at all levels of the Kenyan economy, if the vision is to be realised. Literature suggests that economic growth is likely to be bogged down at low levels, unless it is accompanied by growth in productivity, and that productivity growth rates are likely to remain low in the absence of a suitable policy environment.

Why Measure Productivity

Measurement of productivity is a key element towards assessing standards of living in a country since some measures of living standards such as per capita income are related to one measure of labour productivity-value added per hour worked. In this sense, measuring labour productivity helps to better understand the development of living standards. Long-term trends in Multi-Factor Productivity (MFP) are a useful indicator in assessing an economy's underlying productive capacity (potential output). Potential output itself is an important measure of the growth possibilities of economies and of inflationary pressures. Comparisons of productivity measures for specific production processes are useful in identifying inefficiencies at the firm/factory level. This fulfils inter and intra firm level comparisons.

Typically, productivity is measured residually, and this residual captures efficiency changes, technical changes and economies of scale. In addition, it also captures changes in capacity utilization, learning by doing and measurement errors of all kinds. In this sense, the practice of productivity measurement can be seen as a quest to identify real cost savings in production. Besides, productivity is also measured in order to identify changes in technical efficiency in the process of production. Full efficiency means that a production process is achieving the maximum amount of output that is physically achievable with current technology, and given a fixed amount of inputs. Measurement of productivity enables firms to know whether they are experiencing technical efficiency gains or losses, the former implying a movement towards best practice or the elimination of technical and organizational inefficiencies and the latter, otherwise. Apart from this general perspective, productivity is usually measured from a specific perspective, i.e either from a micro or macro position.

Why Measure Productivity at the Macro-Level

Productivity measurement at the macro level is beneficial to planners, policy makers, managers, researchers and other stakeholders in their respective areas on several different grounds. First, it provides a basis for evaluating the performance of various sectors, which can help the government to assess the needs, adopt policies and strategies, set priorities and allocate resources in line with the country's development objectives. Second, it forms a basis for evaluating the impact of national development programs. Third, it shows the efficiency levels of factor used, as well as the state of technology, and is a yardstick for inter-country and inter-sector comparisons. Fourth, it is an instrument for identifying problems and it contributes to the evolution of appropriate actions to deal with them. Finally it is also a tool for forecasting the national income and output.

Why Measure Productivity at the Micro-Level

Productivity measurement at the micro level is useful in many different ways. First, it provides indicators of performance for different industries which helps in identifying the leading and lagging industries and potential problem areas. Second, it provides a basis for inter-industry and inter-firm productivity comparisons and projections. Third, it acts as a basis for resources planning to optimize output, bearing in mind resource efficiency levels. Finally, it can be used as a basis for assessing the relative benefits of different inputs and the strength and weaknesses of organizations, as well as for formulating, implementing and evaluating plans and strategies.

It is notable, however, that despite the aforementioned significant roles that productivity is expected to play in promoting enterprise competitiveness, economic growth and employment creation, it has not been mainstreamed into all sectors of Kenya's economy. This has made it almost impossible to effectively measure productivity in Kenya. In this paper, we argue that for any meaningful productivity measurement to take place, a national policy on productivity is necessary to define benchmarks and to give the country a strategic direction on productivity management and its supporting systems. This paper identifies some building blocks that could feed into such a framework.

BUILDING BLOCKS OF A PRODUCTIVITY POLICY FRAMEWORK

Literature identifies a number of factors that typically drive productivity, and which should therefore constitute the key building blocks of a productivity policy framework. They include, among others; Education and Training which creates human resources that are able to adapt production systems and work organizations to rapidly changing technologies and markets, which is the foundation for long-term competitiveness; Research and Development which is closely linked to education and training; infrastructure including among others, transport, energy and communication; Green productivity which relates to ecologically sustainable development; Trade Unions and Employers' Organizations: The structure of trade unions and employers' organizations and the quality of their relationship has a fundamental effect on productivity and competitiveness. Existence of formal or informal tripartite relationships at the national level are key to

building consensus on broad economic issues such as how the country's competitiveness can be improved. Literature identifies a number of other drivers, including; female labour force participation, degree of openness of the economy, application of science, technology and innovation, improvement in governance, business environment (especially transaction costs to business), and investment to GDP ratio.

Impediments to Realization of Effective Productivity Culture and Practice

The foregoing analysis unearths a number of national level and sector based factors and situations that impede the development of an effective productivity culture and practice in the country. They explain the low level of productivity awareness in the country and pose the greatest challenge to the requisite evolution of a productivity culture and policy in the country. We discuss herebelow, each of them in greater details.

Low and Declining Levels of Competitiveness is one of the greatest challenges that Kenya has to deal with as it aspires to become a globally competitive middle-income country by the year 2030. The country's low levels of competitiveness is manifested in low overall competitiveness score relative to that of other comparator countries regionally and internationally, low and declining total factor productivity, low labour and capital efficiency, and low capital productivity in core sectors of the country's economy. The latter indicator is more serious particularly when considered within the context that the affected sectors are also the growth sectors targeted for achievement of Vision 2030 goals. Furthermore, the low labour and capital efficiency, coupled with the low levels of investment in R&D, weak linkage between the supply and demand sides of the labour market, low levels of technological adaptation, vis-a-vis the rapidly growing Kenya's labour force makes the challenge more compelling for the country.

Despite having a relatively highly qualified workforce, labour productivity level of the Kenyan workforce has remained consistently low at an average index of 1.5 since independence. In some instances, the labour productivity scores have registered a negative index. This is an indicator of low quality workforce, which may be attributed to the structural deficiencies in education and training in the country. Inappropriate skills mix is also a growing concern in the labour market. The skills mix of the Kenyan workforce is generally skewed towards the managerial cadre rather than technical and support staff, yet managers are generally administrators with little understanding of operational intricacies. This situation is aggravated by the incessant conversion of technical training institutions to institutions of higher learning.

Given the diminishing output and relatively high input costs in the country, broad based and productivity-oriented research and development (R&D) is critical in providing remedial action to increased productivity. Research and development aspect in Kenya is either left to the government whose funding is relatively low at 0.3 percent of the country's GDP or is no longer practiced by the organizations. There is also no break down effect to promote specialized production within many organizations. In addition, firms in the same line of production are either not willing to pull or share resources for research and development, and/or engage in own research work but remain fierce competitors hurting own businesses. Consequently, innovations arising from the organizations, research and development (R&D) bit and break down effect is not experienced in the Kenya business cycle.

Development of the country's infrastructural facilities has had a major boost since 2003. However, there still remain a number of challenges in this sector. The road network around the country has not attained an all weather roads status or passable state. There are efforts to expand the road network especially in major urban centres to ease traffic snarl ups currently being experienced. The energy sector equally has its own challenges. Electricity generation is still hydro power based hence is largely affected by rainfall amounts. The other forms of power generation have not picked up as had been expected. The cost of power is still high compared to Uganda, Ethiopia, South Africa, Egypt, Mauritius and Botswana. Rail transport is dogged by poor rail infrastructure thus unable to compete favourably. Telecommunications has picked up well but internet connectivity is still hampered by regulations in the sector. Water transport has remained in the same state for a long period of time without improvement. But effective management of productivity require suitable and supportive infrastructure.

Productivity consciousness and awareness is critical for sustained productivity growth and promotion. However, social productivity in Kenya is arguably low. Anecdotal evidence shows that the Kenyan populace, including public and private sector organizations hardly understands and practices productivity concept. In many organizations, the concept is being equated with contemporary management practices which, is untrue. The concerted effort by the social partners in promoting

the concept has not borne fruit either. Lack of or weak productivity consciousness by the general public have led to indecent practices such as self caused traffic jams, which raises the cost of production thereby reducing productivity further.

The government of Kenya has over the years made some effort aimed at promoting the concept of productivity. These efforts have however, been hampered by the institutional and legal set up of the Productivity Centre of Kenya (PCK). PCK, a company limited by guarantee, is a department of the Ministry of Labour and Human Resource Development. The Centre was established to among other things; promote productivity improvement, ensure availability and utilization of critical skills, facilitate adoption of best practices for manufacturing and service sectors and put in place a productivity policy all with a view to raising the country's competitiveness levels. Despite its very broad mandate, PCK is critically constrained by human and capital resources and by its own institutional framework which limits its scope of linkages.

Regulation is a powerful lever for achieving wider economic, social and environmental objectives. It affects the availability of business opportunities, the cost of pursuing them and the returns from doing so. This has direct and dynamic effects on firm and by extension national productivity. Kenya has a comprehensive set of regulatory laws but the institutions are weak and do not therefore provide a solid framework to underpin competition and promote efficiency. Compared to its neighbours Uganda, Rwanda and Tanzania, it has higher compliance costs and relatively high barriers to entry. Kenya does not have productivity friendly business licensing procedures, tax laws, and competition laws all of which are important for the attractiveness of the business environment and the health of firms. The relatively high headline tax rates in the country and the high degree of progressivity of the same potentially impacts adversely on all the drivers of productivity by altering the economic decisions of firms and individuals. Effective marginal tax rates can affect the decision to undertake higher and further education by altering the net returns from investing in education and the progressivity of the tax system can exacerbate this effect as the benefits from skills accumulation are eroded when individuals move into higher tax bands. Competition drives innovation and firm performance but Kenya has high barriers to product market competition and is not open to competition for corporate control. This means that a small number of firms supply a large share of the market which inhibits product market competition for some firms or sectors. A number of firms are therefore sheltered from the incentives to improve performance provided by the financial markets. But maintaining a high level of competition is fundamental to improving firm performance and productivity.

A high and sustained productivity levels and organizational competitiveness desired by Kenya requires development, implementation and sustenance of strategic interventions for productivity improvement. However, productivity improvement efforts in Kenya have been weak due to low penetration of productivity improvement in the mindset of many Kenyans and organizations. While the situation may be attributed to low level of productivity consciousness amongst the populace, it is also true that organizations also have different connotations and understanding of productivity improvement, some of which are not value-adding. Further, there is lack of technical productivity skills required for implementing the appropriate productivity improvement interventions in the country. In addition, the lack of harmonized understanding of productivity, its measurement and productivity-based compensation criteria amongst employers and workers also aggravate the low productivity improvement situation. It is proven that productivity improvements are most effective when the labour market partners, particularly workers, employers and their respective organizations have similar understanding of productivity, and jointly participate in productivity mainstreaming and improvement strategies.

The availability of up to date productivity indicators is critical for decision making, besides facilitating productivity promotion and improvement. Kenya lacks adequate, reliable, relevant and up to date productivity database. At the same time, there is no comprehensive framework for formalized collection, collation, analysis, dissemination and retrieval of relevant productivity indicators. This has led to individual, *ad-hoc* and uncoordinated mechanisms for collecting and analyzing productivity data. Further, most organizations particularly in the private sector are not willing to release information that is necessary for productivity analysis. Besides, the Kenya National Bureau of Statistics does not collect all the necessary data required for productivity analysis. This state of affairs has frustrated efforts towards undertaking effective and meaningful productivity in the country.

Decent Work Programs (DWPs) demand that conditions of freedom, equity, security and human dignity obtain at the work place. An appropriate but

more often ignored accompaniment to these productivity enhancing conditions is a reward system. A systematic relationship between incentive program and worker productivity has been observed globally, as they tend to elicit higher productivity than flat pay systems. In order to improve firm level productivity in the country, the concept of productivity linked rewards should be accepted, implemented and perfected on a wider scale. Currently there is no standard code of practice in the country with regard to rewarding workers or determining the extent of the other elements of decent work. As a result of this only a few private sector firms have such schemes in place. Consequently, this has had attendant adverse effects on overall productivity as huge disparities in remuneration are witnessed within and across sectors.

TOWARDS A POLICY FRAMEWORK FOR KENYA

Despite the significant role that productivity plays in promoting enterprise competitiveness, economic growth and employment creation, it has not been mainstreamed into all sectors of the country's economy. This state of affairs is attributable to the fact that Kenya has not had a national policy on productivity which is necessary in giving strategic direction on productivity management and its supporting systems to the country.

It is worth noting that overall competiveness of the country is based on its capacity to exploit advantages in human resources, education and training, capital, science and technology, R&D, social productivity, infrastructure, environment, governance, among other key factors. Besides, the country's levels of international competitiveness also depend on the quality of the workforce, and wage determination and wage administration regime. Against the foregoing, this paper proposes the building blocks of such a policy framework for productivity management in the country and discusses interventions to be undertaken with regard to the identified impediments to productivity management.

Re-orientation of Education and Training; Requisite and appropriate education and training is a key driver of productivity and economic growth. The government should recognize that the strength of Kenya's educational and training institutions is an important factor in determining the quality of the country's workforce and the capacity of the country to improve on its productivity. This is because the skills possessed by workers and labour market participants in general has a direct impact on productivity since skilled workers are generally more productive in carrying out tasks than the less-skilled workers.

However, the availability of skilled workers may also indirectly affect productivity by increasing the incentives of firms to invest in new technologies that require a skilled workforce or less investment in acquiring the skilled workforce. International comparisons generally indicate that Kenya has a relatively high proportion of low-skilled workers and a relatively low proportion of medium-skilled and highly skilled and specialized workers compared to the emerging and newly industrializing countries such as Singapore, Malaysia and Mauritius. In addition, the current spate of expansion of institutions of higher learning, particularly public universities, at the expense of polytechnics, vocational training institutions and other middle level colleges is increasing the imbalance between managerial, technical and support staff in the country.

To address these challenges and to keep pace with requirements of the increasingly competitive global economy, education and training in the country must be structured to respond to the needs of the national and global economy, including the needs of a well-prepared workforce. Thus, the government in collaboration with the social partners, development partners and other stakeholders should re-orient the country's education and training systems to be responsive to productivity improvement demands of the country. Emphasis should be put on shaping the country's educational directions to better prepare graduates at all levels of education and training systems for the realities of a productive life. This should entail developing and implementing an education and training program that provides workers, managers, other members of the workforce and labour market participants with the necessary skills to be productive and to develop the capacity to adapt to technological changes, and to remain flexible and responsive to society's changing needs and individual aspirations. In addition, the human resource capital ought to be enhanced in terms of continuous training, knowledge management, skills upgrading, recognition and reward management systems, and organizational development capacities.

Further, the government in collaboration with all the labour market players and education sector stakeholders should endevour to restart the stalled national manpower survey to establish the stock of skills in the country, the distribution of such skills, the current state and trends of industry needs and demands, and the existing skill demand and supply gaps. At the same time, the government should continue with the policy freeze on the takeover of vocational and other middle level colleges by the universities. The Higher Education Regulatory bodies must also be encouraged to influence the re-

orientation of curricula of both public and private universities so as to increasingly respond and remain dynamic to the changing needs of industry at national, regional and global levels. Within the same framework, a national industrial attachment policy need to be developed and implemented to facilitate acquisition of productive and employable skills by the labour force, and to provide exposure to the world of work. To improve on the managerial-technical and support staff mix to reach the optimal ratio of 1-5-30, respectively in the country, the government needs to expand and equip vocational and technical training institutions. In this regard, the ultimate goal should be to have at least one well equipped and resourced technical and vocational institution per constituency.

Enhancing the Quality of Workforce; Quality of the workforce, achievement of the optimal mix for managerial-technical-support staff, management skills and manpower issues are some of the areas with the greatest potential to affect productivity. To enhance the quality workforce, the government in collaboration with social partners and other stakeholders should establish and popularize quality of workforce measures. Under this framework, workers, their trade unions, employers and their associations, and educational and training institutions should work together to develop, understand and utilize the quality of workforce measures and indicators in making decisions regarding training, employment and collective bargaining, among other key areas. In addition, mechanisms need to be put in place within the tripartite framework under the PCK, the National Labour Board (NLB) and the National Economic and Social Council (NESC) to ensure that such quality of workforce measures and indicators are adopted in the country as national norms, and at the same time reviewed periodically to remain relevant and consistent to the dynamism of the global economy.

Promotion of Productivity Driven Research and Development; Broad based and productivity-driven research and development (R&D), which encompasses the process through which productivity-enhancing innovations are conceived, developed, financed, and diffused throughout the country is critical for productivity improvement. Productivity driven R&D is focused on technology, product development and design, and levels of skills of the workforce. The government recognizes that productivity-driven R&D requires a strong underlying scientific base that is continuously improving the existing body of knowledge through which productivity improvement changes can be conceived, conceptualized and practical applications developed. At the same time, individuals and organizations must have the best possible access to available technical know-how and to information on available products and processes, and incentives to develop new products, or to invest in the purchase of new products developed by others. Underlying this is the availability of adequate resources to finance the development and installation of new products and processes.

To promote productivity driven and broad based R&D, the government in consultation with the private sector, social partners, and other key stakeholders needs to review and redesign, where necessary, programmes of existing research institutions to ensure that they address basic and adaptive work in addition to linking up with the industry. To improve the low funding situation that has characterized R&D in the country, the government must develop a framework for co-cooperation with the private sector. Under this arrangement, the government should provide seed money to facilitate R&D in specific areas and sectors of the economy. Organizations in the same line of business should also be encouraged, under the co-cooperation arrangement, to undertake joint product development research through funds provided by themselves and the government. In this regard, the participating organizations should be encouraged to undertake individual marketing of their products as competitors. In addition, the government should encourage organizations to allocate about 1-2 percent of their annual profits for R&D in own product area to improve productivity and quality. This can be achieved through formulation and implementation of a R&D tax credit scheme. Such a scheme should aim to reduce the organizations' costs of undertaking R&D by allowing them to deduct more than 100 percent of current R&D expenditure from their taxable profits. This should help raise the organizations' private rate of return from R&D with the ultimate goal of up-scaling productivity and enhancing a higher rate of return to the economy as a whole.

Further, the government with the support of development partners, private sector organizations and other stakeholders could also mobilize funds to boost research and development fund. As part of the government's commitment, the government should increase R&D allocation from the current level of 0.3 percent of the GDP to 1.5 percent of the GDP, and increase it gradually thereafter to reach 2.5 percent by the end of the Vision 2030 horizon. Finally, the linkage between policy makers, universities, research institutions and industry must continue to be strengthened to promote relevance of R&D, and to

trigger uptake of R&D outputs for improved product development and organizational competitiveness.

Establishment of Productivity Infrastructure; The development of quality national physical infrastructure is a critical foundation for promoting productivity in all sectors of the country's economy. As elaborated in the various government blueprints, measures are already in place to improve on productivity-enhancing infrastructure in the country. These measures should however, include strengthening of the institutional framework for infrastructure development, raising the efficiency and quality of infrastructure as well as increasing the pace of implementation of infrastructure projects in the country. The various Ministries and government departments charged with the responsibility of implementing these program areas should also be encouraged to fully implement their relevant areas. In addition, a monitoring and evaluation mechanism should also be enhanced to help accelerate the pace of implementation and the necessary adjustments required.

Improving Productivity Governance; Poor governance and weak institutions of governance are a hinderance to productivity improvement efforts in the country. Productivity governance relates to the capacity of the government to effectively formulate and implement sound policies, and the respect of citizens and the state for the institutions that govern economic and social interactions among them, the extent to which economic agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, the police, and the courts, as well as the likelihood of crime and violence. A number of factors have been identified as being likely to influence productivity growth at the micro level. These include technology and human capital affecting efficiency in production, government regulation altering the incentives for innovation, market entry, and gaining market share, competition in product markets making firms learn faster about new technologies and firm ownership determining the firm's choices on technology and inputs.

To enhance productivity governance in the country, the government must continue to implement governance reforms detailed out in Vision 2030, the Medium-Term Plan and Sector-specific plans. In addition, the government should re-orient policy, legal, and institutional frameworks to support productivity promotion. Besides, the government ought to review and align staff recruitment and deployment procedures within the public sector to meet productivity improvement goals of the country.

Promotion of Social Productivity; Productivity consciousness is a key driver of efficient and effective resource use. The level of productivity consciousness in Kenya is arguably low. To reverse this trend, the government should, in collaboration with social partners, private sector, development partners and other stakeholders, nurture and promote productivity culture at all levels (national, sectoral and individual). At the national level, there should be a determinate effort to improve productivity consciousness/awareness by undertaking specific national, sectoral, and individual productivity promotion programmes.

A mindset change on a wide range of issues such as resource use and environmental consciousness is also necessary to permit cumulative effort by individuals to bring the desired change. This should be replicated at the sectoral levels to influence the desired individual change. The government should also strengthen the PCK in terms of policy, legal and institutional frameworks to undertake this task. Towards this end, a national productivity drive could be designated at specific periods of each year. During this time, the concept of productivity and productivity improvement would be popularized at various stages of the national hierarchy. To recognize organizational and individual productivity improvement initiatives, there may be need to establish and implement an awards scheme.

It is widely recognized that social productivity results in longevity of life. This is manifested in 'wellness' as enshrined in standards for behaviour, reputation, symbols, and trust and perceptions of fairness. These social outputs are important to Kenyans not only because they affect the degree of commitment but also because they affect the responses by others. From the perspective of social productivity, the government should develop and implement appropriate legislations and codes of conduct to oblige organizations and individuals to adhere to formal standards of behaviour and productivity improvement mechanisms. This is necessary to preserve the reputation of important groups, provide symbols, and maintain or increase trust and fairness within society.

Establishment and Maintenance of Productivity Database; The availability of up to date productivity indicators is critical for decision making. Kenya lacks adequate, reliable, relevant and up to date productivity database. At the same time, there is no comprehensive framework for formalized collection, collation, analysis, dissemination and retrieval of relevant productivity indicators. This has led to individual, *ad-hoc* and uncoordinated mechanisms for

collecting and analyzing productivity data. Further, most organizations particularly in the private sector are not willing to release information that is necessary for productivity analysis.

To address these challenges, the government, through the PCK, needs to establish and maintain an up to date database to provide productivity indicators for benchmarking, and wage compensation. Within this framework, productivity indicators should be availed to encourage industry networks through community of practice, and also to facilitate wage negotiations and arbitration as well as decision making. Such a database should also be used in providing industry benchmarks for investor information on the prevailing sector-wide labour and capital productivity. To ensure this is done, the government needs to enact appropriate legislation to compel organizations to provide data and information necessary for developing the indicators, while at the same time guaranteeing the confidentiality of information so provided. Further, the government with the support of the private sector institutions and development partners should establish information management systems and put in place frameworks and mechanisms for information dissemination in the country, while at the same time protecting the confidentiality of the said information.

Productivity Improvement; Productivity improvement is critical for organizational competitiveness and sustainable development. Productivity improvement effort at the organizational level is an important ingredient in reducing industrial emission to the atmosphere thus enhancing green productivity. For an organization to be successful with productivity improvement activities, it needs the internal will to improve, ideas for improvement and the skills to execute the required changes. The act of making changes that result in improvement can also be built within an organization. However, responsibility for building the will for changes belongs to the leadership of the organization. In this regard, the government should therefore encourage organizations to embrace productivity improvement strategies at the enterprise level. To achieve this, the PCK needs to be capacitated to undertake improvement models focusing on productivity assessments, development/design of the changes, testing of the changes, implementation of the changes and making of periodic audits to ascertain improvement in all organizations. At the same time, organizations should be required to show top-level commitment, middle-level management support, worker participation, organizational-based measurement schemes, and a framework for gain sharing. To this extent, the workers' and employers' federations should be supported to embrace and popularize productivity mindset amongst their constituents.

Enhancing Labour-Management Partnership; Sound labour-management partnership that is based on consultation, dialogue and employee-employer collaboration is critical for promoting and sustaining organizational productivity. Kenya has had a relatively positive history of social and workplace dialogue. To fortify productivity mainstreaming and improvement initiatives, labour management cooperation needs to be strengthened in all sectors of the country's economy. The necessary interventions should include capacitating existing labour market dialogue institutions to undertake effective consultation and collaboration activities, encouraging employers through their federation and primary level associations to recognize that general workers can contribute important know-how, imagination and ingenuity in such areas as increasing output, reducing waste, improving morale and job satisfaction and reducing counterproductive behaviour. In addition, the government, through PCK, should encourage stakeholder-ship principle in organizations for greater productivity enhancement.

The public sector productivity which affects both formal and informal sectors has not been given prominence it deserves in the country. The public sector currently accounts for approximately 33% of the national formal employment and 6% of the total employment in the economy. However, many units of government lack administrators with adequate skills, training, productivity improvement initiatives and good labour relations. Equally, collective bargaining is often new and quite fragmented in many public service sector institutions. Besides, the public sector unions have less experience than their counter parts in the private sector. To enhance productivity improvement in the public sector, the government should strive to implement measures to improve labour management cooperation and communication on productivity improvement issues within the public service and expand the skill levels of those responsible for labour relations and productivity improvement in the sector.

Implementing Green Productivity; Environment and development are not separate challenges, they are inexonorably linked. Development cannot subsist upon a deteriorating environmental resource base and the environment cannot be protected when growth does not take into account the costs of environmental destruction. Environment and development are linked in a complex system of cause and effect relationship. Pollution is a form of waste inherent in industries and

is a symptom of inefficiency in industrial production. While the legislative and institutional framework for promoting occupational safety and health (OSH) is in place, the government in collaboration with social partners, private sector, development partners and key stakeholders should develop and implement mechanisms for strengthening the capacity of the Directorate of Occupational Safety and Health Services (DOSHS) to promote effective enforcement and surveillance of safety and health regulations in the country. In addition, the government in collaboration with development partners and sector players need to enhance the capacity of Kenya National Cleaner Production Centre, National Environment Management Authority, and related institutions to monitor and regulate on appropriate levels of industrial emissions.

Re-orienting PCK as a Prime Mover of Productivity; For the Productivity Center of Kenya to deliver on its statutory mandate, it is important that it be re-tooled in terms of human and physical resource capacity, its focus re-oriented on priority productivity issues and its structure re-organised. Towards this end, PCKs organization structure needs to be reformed to include for example, sector-wide panels to provide advisory services on labour-management partnerships, green productivity, R&D, and national productivity improvement initiatives. In addition, its board ought to be expanded beyond the existing tripartite arrangement to include the Kenya National Science Council, Universities and research institutions.

PCK should be facilitated to effectively carry out its enablement mandate more effectively with a view to assisting organizations in productivity awareness and advocacy and enterprise support services. It shall carry out its public sector reforms mandate by focusing on performance and productivity improvement approaches for the public service, including target training and consulting interventions on; leadership development analysis, analysis of the current situation performance challenges and gaps, strategic focus and goal setting, performance measurement and action planning and finally support for performance reviews in the public sector.

Setting up of a Research and Measurement unit is one way of facilitating PCK to conduct research on productivity and related areas with a view to understanding productivity leverage points and log jams in the country with the intention to guide policy decisions. Finally PCK should carry out its mandate through among other things, provision of training and consulting interventions across all sectors of the economy. Such interventions which should form part of the opportunity identification step to solution delivery are useful in terms of identifying major challenges for organizations and in designing and implementing best of breed solutions.

Strengthening the legal and regulatory framework; Cumulative cost of regulation reduces returns to economic activity thereby impacting adversely on productivity. Regulation affects the availability of business opportunities, the cost of pursuing them and the returns from doing so. Besides, growth of regulation increases administration and enforcement costs for the public sector and can take resources away from more productive uses. This has direct and dynamic effects on firm productivity. In view of this the government should give due consideration to the benefits to the country generated from imposition of regulation and the benefit versus cost of regulation including both direct compliance cost and indirect impacts on growth.

The government should therefore pursue a strategic approach to regulation by ensuring that the right tools are used to achieve the desired outcomes. In this regard, the government should ensure that the regulatory environment improves over time for it to remain fit for the purpose. To do this there is need to provide quality assurance on the flow of new regulation and also to systematically review the existing stock of regulation. In cases where institutions are found to be underdeveloped, the government should identify and move to best practice in order to position the economy to take advantage of productivity improving opportunities as they arise.

With regard to the legal framework the government needs to train its focus on tax and competition laws especially as they relate to barriers to entry, with a view to fostering a culture of entrepreneurship and risk taking which is important in producing individuals who seek out market opportunities. In this regard, policies that reduce the cost of human capital formation such as subsidized education and interest free loans should be enforced to increase the financial incentives to acquire skills. In addition, the government should continue to open the product market to competition with a view to improving firm performance.

Incentive/ reward scheme; A well functioning incentive program is a major contributor to productivity improvement. In recognition of this, the government needs to collaborate with the social partners to put in place requisite measures to identify activities at the work place that would readily lend themselves to a productivity linked approach in the matter of wages and incentive system with a view to establishing an incentive scheme at the work place.

The structure of the said scheme should be negotiated on a tripartite basis with the relevant line ministry on one hand and the social partners (FKE/COTU) and the other interest groups on the other hand.

CONCLUSION

In order to effectively weave the building blocks identified in this study into a coherent policy document it is necessary to have in place an effective co-ordination, implementation, monitoring and evaluation framework, to facilitate assessment of progress while at the same time allowing for learning from any implementation or strategic pitfalls. In addition, we envisage effective co-ordination, a key ingredient in the formulation and implementation of policies. Effective coordination of actions and interventions is deemed necessary to exploit synergies, enhance policy harmonization, streamline the signals given by respective actors and limit policy disjoint, duplication of efforts and wastage of scarce resources. This calls for total commitment from the government and other stakeholders.

We recognize that productivity improvement is the responsibility of all individuals and entities within the national economy and that such effort straddles all sectors and regions. However, to enhance co-ordination and harmonization of efforts, as outlined in Vision 2030 and other medium-term development blueprints, it is imperative that all productivity improvement initiatives be coordinated within the framework of PCK.

The PCK in conjunction with the Monitoring and Evaluation Directorate (M&ED) in the Ministry of State for Planning, National Development and Vision 2030 should be facilitated to take the lead in developing M&E tools for each of the identified interventions and to facilitate the development and institutionalization of an inbuilt M&E mechanism within the systems of other relevant stakeholders. The PCK, M&ED, social partners, private sector, civil society, and development partners should then be mandated to undertake joint monitoring and evaluation exercises.

To support this framework, capacity building needs to be undertaken at the national and sectoral levels to equip PCK, individual trade union organizations and employers through their regional offices, with relevant skills to collect and process timely and reliable data necessary for effective M&E exercise. The workers and employer's representatives in collaboration with field officers and other labour support organizations should also be required to undertake periodic M&E exercises. The M&E Reports from the regions should then be shared at the national level, with the PCK and the social partners and other stakeholders to enhance feedback mechanism. At the beneficiary or organization level, the individual productive enterprises and workers would be required to provide information for the M&E system. The latter are considered critical in this framework in identifying productivity improvement and other process constraints and in suggesting appropriate mitigation measures.

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