Beyond Employment: Do Informal Jobs Enable Young People to Escape Poverty or Lock Them into Low-Productivity Work in Western KENYA? Informal Work as a Poverty Exit Strategy or A Poverty Trap?

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DOI: https://doi.org/10.47772/IJRISS.2026.101000681

Received: 29 October 2026; Accepted: 03 November 2026; Published: 15 November 2026

ABSTRACT

Informal work now absorbs most new jobs in Kenya, yet it is unclear whether it helps young people move out of poverty or holds them in low-productivity activity. This paper examines the question for seven counties of Western Kenya (Kakamega, Bungoma, Busia, Vihiga, Kisumu, Siaya and Homa Bay) using a descriptive desk design anchored in development economics theory: dual-sector and job-queue models and an asset-threshold poverty-trap model. Published statistics from the Kenya National Bureau of Statistics Economic Surveys, the Commission on Revenue Allocation County Fact Sheets (2022) and the World Bank Kenya Poverty and Equity Assessment (2023) are analysed using shares, growth rates, income-gap ratios, population-weighted poverty headcounts and dispersion measures. Nationally, informal work accounted for 83.8 per cent of employment and 87.2 per cent of the jobs created in 2025, equivalent to 6.8 informal jobs for every modern-sector job. Across the seven counties, the population-weighted poverty headcount fell from 49.6 to 39.1 per cent between 2005/06 and 2015/16, but four counties recorded falls of more than 10 percentage points while two recorded increases, and cross-county dispersion widened (coefficient of variation 20.6 to 32.0 per cent). Busia, with a headcount of 69.3 per cent, held 19.1 per cent of the region's estimated poor with 10.8 per cent of its population. The evidence is consistent with informal work being an entry point rather than a dependable exit, and supports a conditional-trap interpretation in which exit depends on capital, skills and local conditions. Because the data are aggregate, the findings are indicative rather than causal; the paper specifies a micro-data model for future testing.

Keywords: informal employment, youth, poverty trap, working poverty, structural transformation, Western Kenya, development economics

INTRODUCTION

Background

Kenya's labour market is dominated by informal work. According to the Kenya National Bureau of Statistics (KNBS, 2026), as reported in the press (Capital FM, 2026a; The Standard, 2026), about 18.1 million people worked in the informal sector in 2025 out of roughly 21.6 million persons in employment excluding small-scale agriculture, and the informal sector generated 716,800 of the 822,100 jobs created in that year. For a young person entering the labour force, therefore, "getting a job" increasingly means getting an informal job. Whether such a job is the first rung of a ladder out of poverty or a platform that keeps young people in low-productivity activity is a central question in development economics, with direct implications for the design of youth employment, skills and enterprise policy.

Two readings of informal work compete in the literature. The *exit* view treats informal work as a flexible, low-barrier entry into the labour market through which young people earn, learn and accumulate capital (Fields,

1975; Maloney, 2004). The *trap* view treats it as a residual refuge for people excluded from scarce formal jobs, in which low productivity, thin capital and the absence of social protection prevent saving and skill accumulation (Harris & Todaro, 1970; La Porta & Shleifer, 2014; Banerjee & Duflo, 2011). The policy implications differ: the first calls for lowering the cost of entry and supporting informal enterprises, the second for raising productivity and building pathways into better work.

Western Kenya is a useful setting. The seven counties examined here (Kakamega, Bungoma, Busia, Vihiga, Kisumu, Siaya and Homa Bay) had a combined population of about 8.3 million in 2019, of whom 36.5 per cent were aged 15 to 35 years, and their 2015/16 poverty headcounts ranged from 33.5 per cent in Homa Bay to 69.3 per cent in Busia (Commission on Revenue Allocation [CRA], 2022). Agriculture, forestry and fishing is the dominant economic activity in all seven counties (CRA, 2022), and nationally formal wage jobs are few relative to informal ones, so informal self-employment and casual work are the main income routes open to many young people.

1.2 Problem Statement

Kenya's economy continues to grow (4.6 per cent in 2025; Capital FM, 2026a), yet poverty remains high and uneven. The national poverty rate was 38.6 per cent in 2021, above its pre-pandemic level, and most poor Kenyans remain in self-employment or agriculture, where earnings depend on assets that the poor have little of (World Bank, 2023). Counting jobs therefore says little about welfare. What is not well established, particularly for Western Kenya, is whether informal jobs allow young people to accumulate enough capital and skills to leave poverty or merely sustain consumption. Published work tends either to count informal jobs nationally or to profile county poverty, without bringing the two together in a poverty-trap framework. This paper does so with the best published data available and is explicit about what such data can and cannot show.

1.3 Objectives of the Study

The general objective is to assess whether informal work functions as a pathway out of poverty or as a poverty trap for young people in Western Kenya. The specific objectives are:

(1) to quantify the scale and trend of informal employment and its share of new jobs in Kenya;

(2) to describe the youth exposure and the level and change of poverty in seven Western Kenya counties;

(3) to weigh the evidence for the exit and trap interpretations using an asset-threshold framework; and

(4) to draw policy implications and specify an empirical design for micro-data testing.

1.4 Research Questions

The study asks:

(i) How dominant is informal work in new job creation in Kenya, and is that changing?

(ii) How have poverty levels and their dispersion changed across Western Kenya counties?

(iii) Does the available evidence favour informal work as an exit route or as a trap?

1.5 Significance and Structure

The paper links national labour-market statistics to county poverty outcomes within one analytical frame and shows the calculations in full so that they can be replicated. Section 2 reviews the literature, Section 3 sets out the theoretical framework, Section 4 describes the methodology, Section 5 presents the results, Section 6 discusses them and Section 7 concludes with policy recommendations.

LITERATURE REVIEW

2.1 Concept and Measurement of Informal Work

The term "informal sector" was popularised by Hart (1973), who described income opportunities outside organised wage employment among urban workers in Accra, and by the International Labour Organization's (ILO, 1972) employment mission to Kenya, which treated small-scale, labour-intensive activity as a source of productive employment rather than a mere residual. Contemporary practice distinguishes informal-sector enterprises from informal employment, meaning jobs without legal or social protection wherever they are located, and the ILO (2018) shows that informal employment makes up most employment in Africa. Chen (2012) notes that definitions have broadened over time to capture the diversity of informal work, which ranges from survival activities to growth-oriented micro-enterprises. KNBS reports informal-sector employment alongside modern-sector wage employment in its annual Economic Survey, and its totals exclude small-scale agriculture (The Standard, 2026).

2.2 Informal Work as a Pathway out of Poverty

Early dual-economy models suggested that labour in low-productivity traditional activity would be absorbed into higher-productivity modern activity as capital accumulates (Lewis, 1954). Within this tradition informal work can be a stepping-stone: Fields (1975) modelled it as part of job search, providing income while workers gain the experience and contacts needed for better jobs. Maloney (2004) argued that informal work is often a voluntary choice offering flexibility and entrepreneurial opportunity, not only exclusion. Experimental evidence suggests that capital constraints, rather than a lack of ability, bind many micro-entrepreneurs: de Mel et al. (2008) found high returns to capital in Sri Lankan microenterprises, and Blattman et al. (2014) found that grants enabling young Ugandans to invest in skilled trades raised their business assets and earnings substantially. These studies imply that informal self-employment can be an exit route when it is combined with capital and skills.

2.3 Informal Work as a Poverty Trap

The Harris and Todaro (1970) model shows how a formal-sector wage premium can attract more job seekers than there are formal jobs, so that surplus labour accumulates in low-earning informal or unemployed states. La Porta and Shleifer (2014) document that informal firms are typically small, owned by people with little education and far less productive than formal firms, and argue that they rarely grow into formal enterprises. Banerjee and Duflo (2011) describe many poor entrepreneurs as running tiny businesses out of necessity, with low returns. Asset-based approaches formalise the trap: where returns to accumulation are low below a critical asset or skill threshold, households cannot save enough to cross it, and the low-asset equilibrium is self-reinforcing (Azariadis & Stachurski, 2005; Carter & Barrett, 2006). Evidence on youth employment programmes also counsels caution: McKenzie (2017) concluded that the impacts of many active labour market programmes in developing countries are modest relative to their costs, and Fox and Kaul (2018) stress that programme design and context determine results.

2.4 Evidence on Kenya and Western Kenya

Filmer and Fox (2014) show that youth employment in Sub-Saharan Africa is concentrated in household farms and enterprises, so the central challenge is raising the productivity of those activities and not only creating jobs. The Kenya Poverty and Equity Assessment (World Bank, 2023) reports that paid-job creation has been limited, that most poor people work in self-employment or agriculture, and that poverty reduction has been uneven across counties. The Africa Youth Employment Clock indicates that about 89 per cent of working Kenyan youth are informally employed and that 27 per cent of youth live below the international extreme-poverty line of USD 2.15 a day (World Data Lab, n.d.), a pattern consistent with working poverty. At enterprise level, the Kenya Institute for Public Policy Research and Analysis (KIPPRA, 2024), as reported by The Star (2024), found that most workers in medium-sized informal enterprises earned less than KSh 17,200 a month, below the statutory minimum wage. County-level evidence is dominated by poverty profiling (CRA, 2022; KNBS, 2018), which does not examine labour-market status.

2.5 Research Gap

Three gaps follow. First, national statistics on informal employment are rarely connected to county poverty outcomes. Second, county poverty profiles do not isolate young people or labour-market status. Third, most evidence on informal work as an exit or a trap rests on panel or experimental micro-data that are not publicly available for Western Kenya. This paper addresses the first two by bringing published national labour statistics and county poverty profiles into one framework, and addresses the third by specifying, but not estimating, a micro-data model for future work.

THEORETICAL FRAMEWORK

3.1 Dual-Sector and Job-Queue Perspectives

In a Lewis-type dual economy, labour moves from low-productivity traditional activity to high-productivity modern activity as capital accumulates, and informal work is a waiting space on that path (Lewis, 1954). In the Harris–Todaro framework, the expected income from queuing for a formal job is the formal wage multiplied by the probability of obtaining it; when formal jobs grow more slowly than the labour force, the informal sector swells and its marginal earnings are pushed down (Harris & Todaro, 1970). Two observable signatures follow: the share of new jobs that is informal, and the ratio of informal to modern-sector job creation. Both are measured in Section 5.1.

3.2 Asset-Threshold Poverty Trap

Let A_t be the stock of productive assets and skills (working capital, tools, human capital and social networks) held by a young worker in period t. Accumulation follows

$$A_{t+1} = f(A_t), \qquad f'(A) > 0 \tag{1}$$

where f is S-shaped because returns to accumulation are low at low asset levels, owing to indivisibilities, credit constraints and subsistence needs, and higher beyond a threshold. The map has three fixed points, $A_L < A^* < A_H$, shown in Figure 1. The low and high points are stable and A^* is an unstable threshold: workers starting below it converge to the low-asset equilibrium (a poverty trap), and workers starting above it converge to the high-asset path (Azariadis & Stachurski, 2005; Carter & Barrett, 2006).

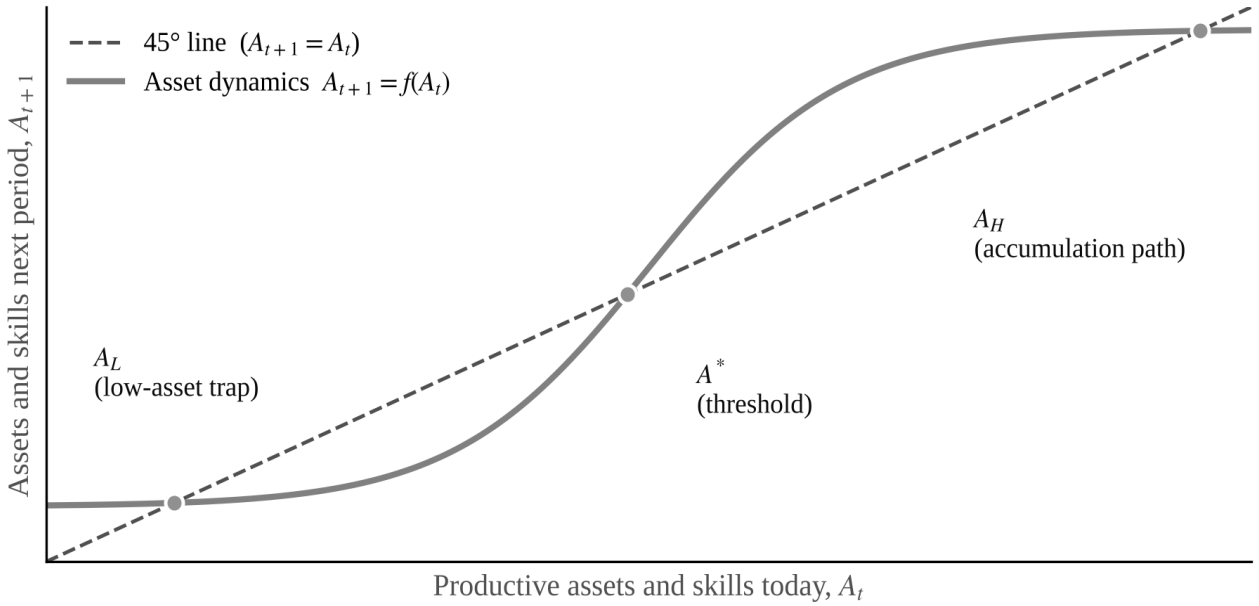


Figure 1: Stylised asset-threshold poverty trap. *Illustrative only; not estimated from data.*

Informal work enters this dynamic through the surplus it generates. Let Y_I be average per-period earnings from informal work, c_{min} subsistence consumption, σ the share of surplus that is invested, and A_0 the initial asset stock. The time needed to reach the threshold is

$$\tau = \frac{A^* - A_0}{\sigma[Y_I - c_{\min}]} \quad (2)$$

which is finite only if $Y_I > c_{min}$. Informal work is an exit route only if τ is shorter than the period over which earnings can be sustained. Equation (2) identifies three ways informal work can fail to deliver exit: low earnings (Y_I close to c_{min}), a low investable share (small σ, because of shocks, dependants or the lack of safe saving instruments), and a large initial deficit to the threshold ($A^* - A_0$).

3.3 Hypotheses

H1 (exit): informal work is a pathway out of poverty. Expected signs are that informal jobs are readily available, earn enough to produce an investable surplus, and are associated with falling poverty. **H2 (trap):** informal work holds young people in low-productivity activity. Expected signs are low earnings, few transitions to formal jobs, poverty that persists or rises despite employment growth, and wide or widening regional gaps. A *conditional* reading holds that informal work is an exit only where complementary assets (capital, skills, credit, infrastructure) are present. Section 5.5 weighs the evidence against these readings.

RESEARCH METHODOLOGY

4.1 Research Design

The study is a descriptive desk study based on secondary data. No primary data were collected. Ratios, growth rates, weighted averages and dispersion measures are computed from published official figures and interpreted against the framework in Section 3. All calculations were run in Python and checked by hand.

4.2 Study Area and Data Sources

The study area is seven contiguous counties of Western Kenya: Kakamega, Bungoma, Busia, Vihiga, Kisumu, Siaya and Homa Bay. They were selected because the CRA County Fact Sheets provide consistent demographic and poverty data for each. Other counties sometimes grouped with the wider region can be added as their data are compiled. Table 1 lists the data used.

Table 1: Data sources and variables

Variable	Source	Period	Level
Informal and total employment; new jobs; real earnings; inflation; GDP growth	KNBS (2025, 2026), as reported by Capital FM (2026a, 2026b), The Standard (2026) and Business Daily (2025)	2024–2025	National
Population; population aged 15–35 years	CRA (2022), from the 2019 Census	2019	County
Poverty headcount, poverty gap, poverty severity	CRA (2022), from KIHBS data (KNBS, 2018)	2005/06; 2015/16	County
National poverty rate; job and asset context	World Bank (2023)	2021	National

Note: KNBS = Kenya National Bureau of Statistics; CRA = Commission on Revenue Allocation; KIHBS = Kenya Integrated Household Budget Survey.

4.3 Analytical Methods

Let E_I be informal employment, E_T total employment, ΔE_I and ΔE_T the net jobs created in the year, and $\Delta E_M = \Delta E_T - \Delta E_I$ the net modern-sector jobs created, with subscript t denoting the current year and $t-1$ the previous year. National indicators are:

$$\mathrm{IS} = \frac{E_I}{E_T} \times 100 \tag{3}$$

$$\mathrm{IS}_{\mathrm{new}} = \frac{\Delta E_I}{\Delta E_T} \times 100 \tag{4}$$

$$g_I = \frac{\Delta E_I}{E_{I,t-1}} \times 100 = \frac{\Delta E_I}{E_{I,t} - \Delta E_I} \times 100 \tag{5}$$

$$R = \frac{\Delta E_I}{\Delta E_M} \tag{6}$$

Equation (3) is the informal share of employment, (4) the informal share of new jobs, (5) the growth rate of informal employment on the previous year's base, and (6) the number of informal jobs created for each modern-sector job. Poverty is measured with the Foster–Greer–Thorbecke (1984) class,

$$P_\alpha = \frac{1}{n} \sum_{i=1}^{q} \left(\frac{z - y_i}{z} \right)^\alpha \tag{7}$$

summed over the q individuals with consumption y_i below the poverty line z, in a population of n. Setting $\alpha = 0$ gives the headcount $H = q/n$, $\alpha = 1$ the poverty gap P_1 and $\alpha = 2$ poverty severity. The income-gap ratio, the average shortfall of the poor from the line as a percentage of the line, is

$$\mathrm{IGR} = \frac{P_1}{H} \times 100 \tag{8}$$

For county c with population pop_c and headcount H_c, the regional population-weighted headcount, the estimated number of poor, and the estimated number of poor aged 15–35 (with Y_c the 15–35 population) are

$$H_R = \frac{\sum_{c=1}^{7} \mathrm{pop}_c H_c}{\sum_{c=1}^{7} \mathrm{pop}_c} \tag{9}$$

$$N_c = \frac{\mathrm{pop}_c H_c}{100}, \qquad N_c^Y = \frac{Y_c H_c}{100} \tag{10}$$

Cross-county dispersion is summarised by the sample standard deviation and coefficient of variation, with μ the unweighted mean of county headcounts and $n = 7$ counties:

$$s = \sqrt{\frac{\sum_{c=1}^{n} (H_c - \mu)^2}{n-1}}, \qquad \mathrm{CV} = \frac{s}{\mu} \times 100 \tag{11}$$

Finally, a descriptive convergence check regresses the change in headcount on its initial level:

$$\Delta H_c = a + bH_{c,0} + u_c \qquad (12)$$

where $b < 0$ would indicate that initially poorer counties improved faster. With only seven observations this is a description of the pattern, not a statistical test.

4.4 Assumptions

(a) 2019 populations are combined with 2015/16 poverty rates to estimate the number of poor; (b) the same 2019 weights are used for both years, so changes in the weighted headcount reflect changes in rates only; (c) the CRA 15–35 cohort proxies "youth", whereas the Constitution of Kenya defines youth as persons aged 18 to under 35 (Republic of Kenya, 2010), so youth counts here are somewhat larger than the constitutional definition implies; (d) in estimating poor youth, the youth poverty rate is assumed equal to the county rate, so these estimates are illustrative; (e) national informal-employment statistics are used as context for the counties, because county-level informal series were not available to the study; and (f) published national figures are rounded, so recomputed rates can differ slightly from published ones.

4.5 Empirical Specification for Future Micro-Data Work

The question of exit versus trap is ultimately one about individual trajectories. With household or individual micro-data (for example the Kenya Continuous Household Survey or a purpose-designed panel), the relationship could be estimated as the logit model

$$\Pr(\text{POOR}_i = 1) = \Lambda(\beta_0 + \beta_1 \text{INFORMAL}_i + \mathbf{X}_i'\delta + \gamma_c) \qquad (13)$$

where $POOR_i$ indicates that young person i is poor, $INFORMAL_i$ indicates informal work, $\mathbf{X}_i$ contains education, age, sex, assets, credit access and training, γ_c are county effects and Λ is the logistic function. A panel version, with the transition from poor to non-poor as the outcome, would test Equation (2) directly. This model is not estimated here.

4.6 Limitations

First, the data are aggregate, so the study cannot show whether particular young people escaped poverty through informal work, and no causal claim is made. Second, the county poverty estimates date from 2015/16 and pre-date the COVID-19 pandemic and later shocks; the national poverty rate was higher in 2021 than before the pandemic (World Bank, 2023). Third, the 2026 Economic Survey figures were obtained through press reports of the survey, not from the full publication, and reports differ in places: one gives 882,100 new jobs in 2025 (Capital FM, 2026a) whereas another gives 822,100 (The Standard, 2026). This paper uses 822,100 because it reconciles with the reported employment totals of 20.8 million and 21.6 million and with the reported informal share of "more than 87 per cent". Fourth, no informal-earnings series comparable with formal earnings is available, so no formal-to-informal earnings ratio is computed. Readers should treat the results as indicative.

RESULTS

5.1 Informal Work in the National Labour Market

Table 2 summarises the national indicators for 2024 and 2025. Applying Equations (3) to (5) to the 2025 figures gives:

$$\text{IS} = \frac{18.1}{21.6} \times 100 = 83.8\%$$

$$\text{IS}_{\text{new}} = \frac{716{,}800}{822{,}100} \times 100 = 87.2\%$$

$$g_I = \frac{716{,}800}{18{,}100{,}000 - 716{,}800} \times 100 = \frac{716{,}800}{17{,}383{,}200} \times 100 = 4.12\%$$

The informal share of employment is therefore 83.8 per cent, roughly five of every six workers. The informal share of new jobs exceeds it by 87.2 − 83.8 = 3.4 percentage points: the marginal job is more informal than the average job. The growth rate of 4.12 per cent is consistent with the 4.1 per cent reported (Capital FM, 2026a); recomputing from the rounded stocks, (18.1 − 17.4) ÷ 17.4 × 100 = 4.02 per cent, the difference being rounding.

Table 2: National labour-market indicators, 2024 and 2025

Indicator	2024	2025	Change
Informal-sector employment (million)	17.4	18.1	+4.1%
Total employment excl. small-scale agriculture (million)	20.8	21.6	+3.8%
Informal share of employment (%)	83.6	83.8	+0.2 pp
Net new jobs, all sectors	782,300	822,100	+5.1%
Net new informal jobs	703,700	716,800	+1.9%
Net new modern-sector jobs (derived)	78,600	105,300	+34.0%
Informal share of new jobs (%)	90.0	87.2	−2.8 pp
Informal jobs per modern-sector job (R)	9.0	6.8	−2.2
Real average earnings per employee, formal sector (KSh/yr)	665,400	678,800	+2.0%
CPI inflation (%)	4.6	3.8	−0.8 pp
GDP growth (%)	4.7	4.6	−0.1 pp

Sources: KNBS (2025, 2026) as reported by Capital FM (2026a, 2026b), The Standard (2026) and Business Daily (2025); author's calculations. "Derived" = total new jobs less informal new jobs. Earnings relate to formal-sector wage employees only.

Equation (6) gives the informal-to-modern ratio. For 2025, net modern-sector jobs are ΔE_{M} = 822,100 − 716,800 = 105,300, so:

$$R = \frac{716{,}800}{105{,}300} = 6.8$$

For 2024 (Business Daily, 2025), ΔE_{M} = 782,300 − 703,700 = 78,600, so:

$$\mathrm{IS}_{\mathrm{new}} = \frac{703{,}700}{782{,}300} \times 100 = 90.0\%, \qquad R = \frac{703{,}700}{78{,}600} = 9.0$$

The informal share of new jobs therefore fell by 2.8 percentage points and the ratio fell from 9.0 to 6.8 (Figure 2), a marginal improvement, but nearly seven informal jobs were still created for each modern-sector job. Real average earnings of formal employees rose between 2024 and 2025 by (Capital FM, 2026b):

$$g_{\mathrm{earn}} = \frac{678{,}800 - 665{,}400}{665{,}400} \times 100 = 2.01\%$$

In monthly terms, average real earnings were KSh 678,800 ÷ 12 = KSh 56,567 in constant prices. Because this series covers formal wage employees only, it does not describe the earnings of informal workers.

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume X Issue X October 2026

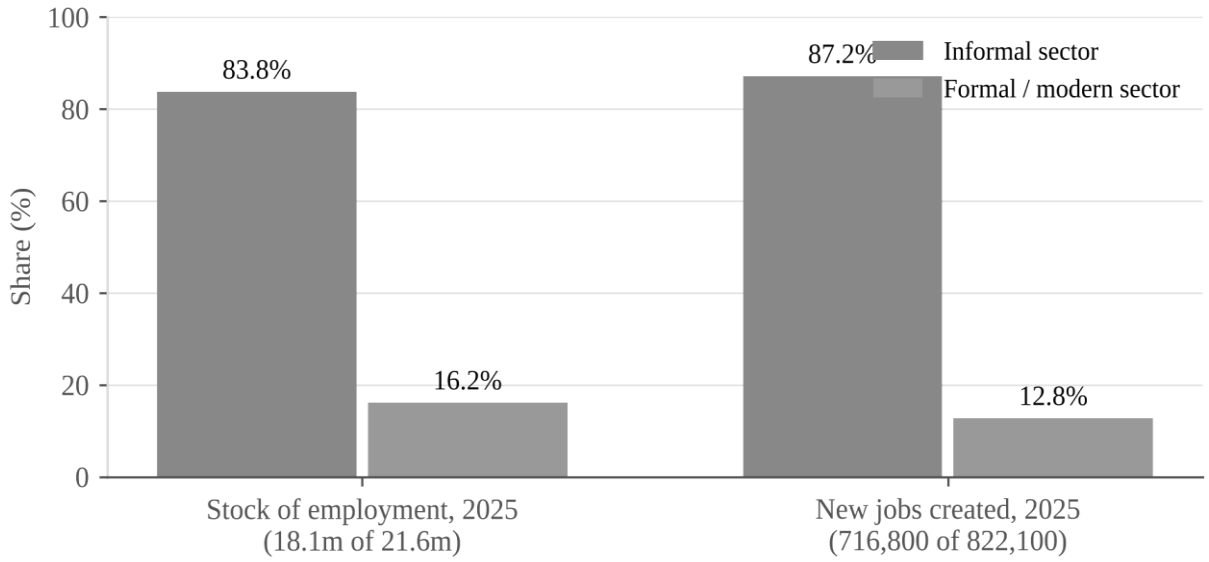


Figure 2: Informal and formal shares of employment and of new jobs, Kenya, 2025.

Source: KNBS (2026) as reported by The Standard (2026) and Capital FM (2026a); author's calculations.

5.2 Youth Exposure in Western Kenya

Table 3 shows that the seven counties had 8,302,550 people in 2019, of whom 3,027,975 (36.5 per cent) were aged 15 to 35. Youth shares ranged from 32.2 per cent in Vihiga to 39.8 per cent in Siaya. Applying Equation (10) to Kakamega, for example, gives:

$$N_{\text{Kakamega}} = \frac{1{,}867{,}579 \times 35.8}{100} = 668{,}593$$

Across the region an estimated 3.25 million people lived below the poverty line in 2015/16, of whom about 1.18 million were aged 15 to 35 (illustrative; Assumption d). Busia alone accounts for 619,321 of the estimated poor and holds 893,681 of the region's 8,302,550 people:

$$\frac{619{,}321}{3{,}245{,}832} \times 100 = 19.1\%, \qquad \frac{893{,}681}{8{,}302{,}550} \times 100 = 10.8\%$$

Busia thus holds about 1.8 times as large a share of the region's poor (19.1 per cent) as of its population (10.8 per cent).

Table 3: Population, youth and estimated number of poor by county

County	Population 2019	Aged 15–35	Youth share (%)	Headcount 2015/16 (%)	Est. poor persons	Est. poor aged 15–35
Kakamega	1,867,579	641,576	34.4	35.8	668,593	229,684
Bungoma	1,670,570	586,845	35.1	35.7	596,393	209,504
Busia	893,681	318,658	35.7	69.3	619,321	220,830
Vihiga	590,013	189,905	32.2	43.2	254,886	82,039
Kisumu	1,155,574	452,864	39.2	33.9	391,740	153,521
Siaya	993,183	395,369	39.8	33.8	335,696	133,635
Homa Bay	1,131,950	442,758	39.1	33.5	379,203	148,324
Region	**8,302,550**	**3,027,975**	**36.5**	**39.1***	**3,245,832**	**1,177,536**

Sources: CRA (2022); author's calculations using Equation (10). *Population-weighted (Equation 9). Estimated poor aged 15–35 assumes the youth poverty rate equals the county rate.

5.3 Poverty Levels and Change

Table 4 and Figure 3 show that the headcount fell by more than 10 percentage points in four counties (Kakamega −17.2, Bungoma −17.2, Kisumu −13.9 and Homa Bay −10.6), was almost unchanged in Siaya (−1.5), and rose in Busia (+2.6) and Vihiga (+1.4). Busia began with the highest headcount in the group (66.7 per cent) and ended higher still (69.3 per cent). Equation (8) shows that poverty was also deepest there:

$$\mathrm{IGR}_{\mathrm{Busia}} = \frac{22.3}{69.3} \times 100 = 32.2\%$$

This compares with 25.1 to 26.6 per cent in the other six counties, so the average poor person in Busia was about a third below the poverty line. In terms of Equation (2), a larger shortfall implies a larger deficit to the asset threshold and so a longer time to exit.

Table 4: Poverty headcount, depth and severity by county

County	*H* 2005/06 (%)	*H* 2015/16 (%)	Change (pp)	Per year (pp)	P_1 2015/16 (%)	P_2 2015/16 (%)	*IGR* (%)
Kakamega	53.0	35.8	−17.2	−1.72	9.5	3.8	26.5
Bungoma	52.9	35.7	−17.2	−1.72	9.5	3.6	26.6
Busia	66.7	69.3	+2.6	+0.26	22.3	9.3	32.2
Vihiga	41.8	43.2	+1.4	+0.14	11.5	4.6	26.6
Kisumu	47.8	33.9	−13.9	−1.39	8.7	3.4	25.7
Siaya	35.3	33.8	−1.5	−0.15	8.7	3.5	25.7
Homa Bay	44.1	33.5	−10.6	−1.06	8.4	3.4	25.1
Region (weighted)	**49.6**	**39.1**	**−10.5**	**−1.05**	–	–	–

Sources: CRA (2022); author's calculations. *H* = headcount, P_1 = poverty gap, P_2 = poverty severity, *IGR* = income-gap ratio (Equation 8). "Per year" assumes a ten-year interval between survey rounds.

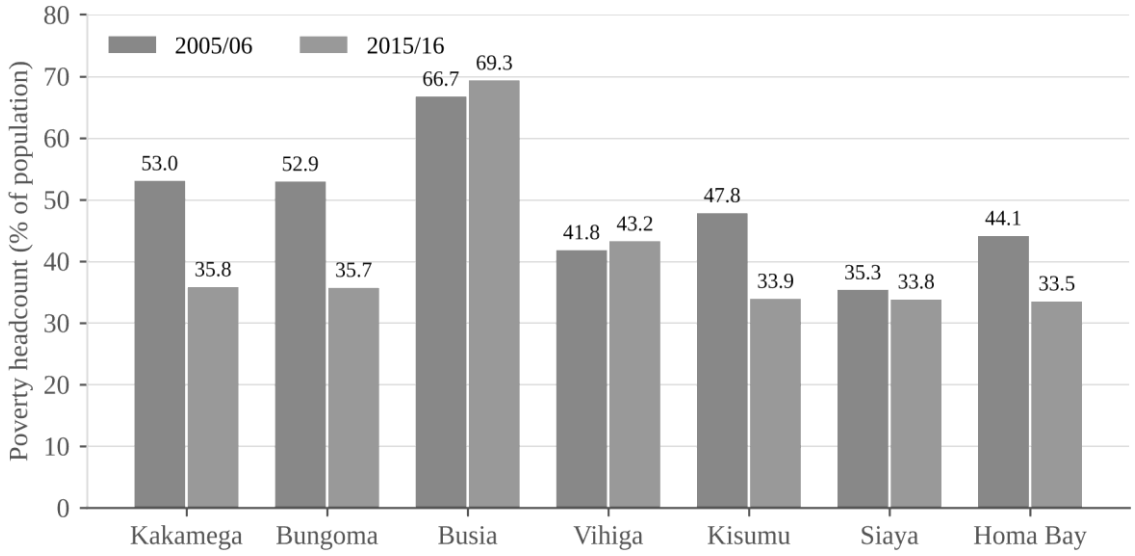


Figure 3: Poverty headcount by county, 2005/06 and 2015/16 (per cent). *Source: CRA (2022).*

5.4 Regional Aggregates and Dispersion

Equation (9) gives the population-weighted regional headcount. With $\Sigma pop_c H_c$ = 324,583,200 for 2015/16 and 411,840,698 for 2005/06 (headcounts in per cent) and Σpop_c = 8,302,550:

$$H_{R,2015/16} = \frac{324{,}583{,}200}{8{,}302{,}550} = 39.1\%, \qquad H_{R,2005/06} = \frac{411{,}840{,}698}{8{,}302{,}550} = 49.6\%$$

The regional headcount therefore fell by 10.5 percentage points (Table 5). Behind that fall, dispersion widened. The unweighted mean county headcount was μ = 341.6 ÷ 7 = 48.8 per cent in 2005/06 and μ = 285.2 ÷ 7 = 40.7 per cent in 2015/16. The sums of squared deviations from these means are 609.2 and 1,018.9, so by Equation (11) with n = 7:

$$s_{2005/06} = \sqrt{\frac{609.2}{6}} = 10.08, \qquad \mathrm{CV}_{2005/06} = \frac{10.08}{48.8} \times 100 = 20.6\%$$

$$s_{2015/16} = \sqrt{\frac{1{,}018.9}{6}} = 13.03, \qquad \mathrm{CV}_{2015/16} = \frac{13.03}{40.7} \times 100 = 32.0\%$$

The gap between the best and worst county grew from 31.4 to 35.8 percentage points. With Busia excluded, the weighted 2015/16 headcount of the other six counties is 35.5 per cent, so Busia's headcount is 69.3 ÷ 35.5 = 1.95 times the rest.

Table 5: Regional summary and dispersion of county poverty headcounts

Measure	2005/06	2015/16
Population-weighted headcount, H_R (%)	49.6	39.1
Unweighted mean, μ (%)	48.8	40.7
Standard deviation, s (pp)	10.08	13.03
Coefficient of variation, CV (%)	20.6	32.0
Lowest county (%)	35.3 (Siaya)	33.5 (Homa Bay)
Highest county (%)	66.7 (Busia)	69.3 (Busia)
Range (pp)	31.4	35.8

Source: CRA (2022); author's calculations (Equations 9 and 11).

The convergence check in Equation (12) gives, across all seven counties and then excluding Busia:

$$\Delta H_c = -6.29 - 0.036 H_{c,0}, \qquad R^2 = 0.002 \qquad (n = 7)$$

$$\Delta H_c = 37.78 - 1.039 H_{c,0}, \qquad R^2 = 0.79 \qquad (n = 6)$$

With all seven counties there is no relationship between initial poverty and subsequent change. Excluding Busia, the slope becomes strongly negative. The sign reversal shows that the pattern hinges on a single county, so no stable convergence can be claimed for the region.

5.5 Weighing the Evidence

Table 6 sets the findings against the exit (H1) and trap (H2) readings. The judgements in the final column are the author's interpretation of aggregate evidence.

Table 6: Evidence scorecard

Indicator	Finding	Reading
Informal share of new jobs, 2025	87.2% of new jobs vs 83.8% of stock; 6.8 informal jobs per modern job	Informal work is the main entry route (H1); few formal rungs above it (H2)
Earnings in informal enterprises	Most workers in medium-sized informal enterprises earned below KSh 17,200 a month (KIPPRA, 2024, via The Star, 2024)	Y_I close to c_{min} in Equation (2): supports H2
Youth working poverty	89% of working youth informal; 27% of youth below USD 2.15 a day (World Data Lab, n.d.)	Work without exit from poverty: supports H2
Occupations of the poor	Most poor people in self-employment or agriculture; limited paid-job creation (World Bank, 2023)	Low-asset activities: supports H2
County poverty change	Falls of 10.6–17.2 pp in four counties; rises in Busia and Vihiga	Exit is possible where conditions allow: conditional H1
Regional dispersion	*CV* rose from 20.6% to 32.0%; Busia *IGR* 32.2%	Divergence and deep poverty: conditional trap

Sources: as cited in the table; author's calculations and interpretation.

DISCUSSION

The results do not support a simple answer to the question posed in the title. On access, informal work is clearly the main route into employment: it provided 87.2 per cent of new jobs in 2025, so any policy aimed at young people's livelihoods has to engage with it. On progression, the evidence leans toward trap-like conditions. Only about one new job in eight was created outside the informal sector, the informal-to-modern ratio of 6.8 means the formal ladder is narrow, and the available earnings and working-poverty evidence points to low earnings relative to subsistence needs. In Equation (2) these are the conditions under which τ becomes very long or infinite.

Yet the regional pattern argues against a uniform trap. Kakamega, Bungoma, Kisumu and Homa Bay recorded large falls in poverty, so poverty reduction did occur in places where informal employment was also the dominant form of work. The aggregate data cannot show why, and the contrasting experiences of Busia and Vihiga, where poverty rose, show that outcomes depend on local conditions. This is the pattern that a conditional-trap reading predicts: informal work is neither a ladder nor a trap in itself, and its effect depends on the assets, skills, credit, markets and shocks that surround it. The widening dispersion (*CV* from 20.6 to 32.0 per cent) and Busia's deeper poverty (*IGR* 32.2 per cent) indicate that the counties furthest from the threshold are not catching up. Busia's trajectory in particular warrants micro-level study of its labour-market structure and exposure to shocks; the present data cannot identify the cause.

The findings fit the wider literature. Experimental studies show that relaxing capital constraints can raise earnings from self-employment (de Mel et al., 2008; Blattman et al., 2014), which corresponds to raising Y_I and σ in Equation (2). Reviews of programme evidence, however, caution that effects are modest on average and context-dependent (McKenzie, 2017; Fox & Kaul, 2018), consistent with the large heterogeneity across counties seen here. The result that most new jobs are informal agrees with the view that the productivity of household enterprises, and not only the number of jobs, is the binding constraint on youth employment (Filmer & Fox, 2014). Two cautions apply. The poverty data are a decade old, and the national labour data cannot be attributed to individual counties, so the link between informal employment and county poverty is inferred, not measured.

CONCLUSION AND POLICY RECOMMENDATIONS

7.1 Conclusion

This paper asked whether informal jobs enable young people in Western Kenya to escape poverty or lock them into low-productivity work. Using published statistics and an asset-threshold framework, it found that informal work provided 87.2 per cent of new jobs in Kenya in 2025 and 83.8 per cent of all jobs, that the informal-to-modern ratio of new jobs was 6.8, and that poverty in seven Western Kenya counties fell on average (49.6 to 39.1 per cent) but unevenly, with two counties worse off and dispersion rising from 20.6 to 32.0 per cent. The evidence supports a conditional-trap interpretation: informal work gives access to income but does not reliably generate the investable surplus needed to cross the asset threshold unless supported by capital, skills and favourable local conditions. Because the data are aggregate, this conclusion is indicative and not causal.

7.2 Policy Recommendations

1. **Raise the investable surplus.** Equation (2) shows that exit depends on the share of earnings that can be invested. Safe, low-cost saving and insurance products for informal workers, and social protection that cushions shocks, would protect σ.

2. **Relax capital and skills constraints together.** Evidence favours pairing start-up capital with training (Blattman et al., 2014), but programme effects vary (McKenzie, 2017; Fox & Kaul, 2018), so county youth schemes should be piloted with built-in evaluation.

3. **Build pathways above the informal floor.** Apprenticeships, links to agro-processing and trade value chains, and local public works can raise Y_I and create transitions to better-paid work.

4. **Target the counties furthest from the threshold.** Busia and Vihiga, where poverty rose, and Busia in particular, with the deepest poverty, merit priority in county and national programmes.

5. **Improve the evidence base.** KNBS and counties should publish county-level labour-force and youth poverty estimates and update the 2015/16 profiles, so that the exit-or-trap question can be answered with current data.

7.3 Areas for Further Research

Future work should estimate Equation (13) on household micro-data, follow young workers over time to observe transitions out of poverty, compare enterprise types within the informal sector, and investigate why Busia and Vihiga diverged from their neighbours. Qualitative work with young informal workers would help establish how much of their income can in practice be invested.

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