

DETERMINANTS OF HUMAN CAPITAL FORMATION IN KENYA: A STUDY ON KENYAN COUNTIES

Human capital is an essential driver of sustainable economic growth and poverty reduction and many nations commit to investment in human capital accumulation. Since independence Kenya's governments have implemented various policies and programs aimed at promoting social economic development, reducing poverty and ensuring human capital development. As a result Kenya has made significant progress in human capital development. In Kenya, counties need new ways to keep their competitive advantage in face of present challenges such as globalization and technological progresses. People and their skills constitute valuable resources for their county and provides the edge to progress its performance or even outpace other counties. Thus, it is indispensable to attempt and comprehend what determines the accumulation of human capital in a county in order to help improve the existing human capital stock. The human capital index (HCI) for Kenya has improved from 52 percent in 2018 to 55 percent in 2020 before COVID-19 pandemic. Though this is higher than the average for Sub-Saharan Africa region and Lower middle income countries it is however, lower than the global average which is 56 percent. This shows that a child born in Kenya in 2020 before Covid-19 pandemic struck could expect to attain an average of 55 percent of his/her potential productivity as a future worker. Hence, need to invest more on education and health the key components of the human capital index. In addition, this national average could mask considerable variation across counties in Kenya as reflected by various education and health outcomes key components of HCI. The object of this study was to analyze the determinants of human capital development in Kenya using a cross-sectional data from all 47 counties in Kenya for 2013 and 2019. The data was collected from published government documents such as County profiles 2013 and the Kenya Population and Housing Census 2019. The study constructed a human capital index, based on education, Health and innovation/creativity. This allowed us to capture broader aspects of effective labour force. The cross-sectional regressions results shown that the key determinants of human capital development in Kenya with the biggest effect was Gross County Product Per Capital, population density, out of pocket health expenditure, infrastructure expenditure, health worker density and proportion of primary schools connected to electricity. The policy implication of these findings is that for counties and Kenya to accumulate human capital the governments should invest on improving health workers density by employing more health workers.

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