

Institute For Economic Justice

POLICY BRIEF



FORMALISING WORK IN KENYA'S RENEWABLE ENERGY SMEs: IMPROVING JOB QUALITY, CONTRACTS AND SOCIAL PROTECTIONS

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Executive summary

Kenya's renewable energy sector is creating jobs in installation, sales, distribution, maintenance, customer service, and project-based construction. However, many workers in renewable energy small and medium enterprises (SMEs) remain in casual or informal employment, with limited access to written contracts, social protection, safety systems, and effective channels for raising workplace concerns. Power for All estimated that Kenya's decentralised renewable energy sector supported 48,280 direct jobs in 2021, of which 30,523 were informal. An ILO assessment of Kenya's green mini-grid sector similarly found that 97.5% of the direct jobs examined were temporary positions

lasting approximately one month, and that most temporary workers lacked formal contracts.

Our research across Central, Coastal, and Western Kenya shows that larger firms are more likely to receive contracts, training, protective equipment, and employment benefits. Smaller firms rely more heavily on casual and project-based labour. Union membership was below 5% across the three study regions, weakening workers' ability to negotiate over pay, contracts, safety, and benefits. Some workers in informal roles reported earning between KES 300 and KES 1,000 per day without predictable benefits or career progression.

Kenya already has a strong foundation of employment-rights and workplace-safety policy; the main challenge is weak implementation and the absence of practical guidance tailored to renewable energy SMEs. Enforcement alone is unlikely to succeed, because many small firms face thin margins, irregular cash flow, and limited administrative capacity. This brief therefore recommends a supported, sector-specific formalisation framework:

- Develop practical, sector-specific employment and decent-work guidance for renewable energy SMEs, covering contracts, wages, registration, safety, grievance procedures, and worker representation.
- Introduce phased compliance assistance, combining awareness-raising, self-assessment tools, and advisory inspections, with targeted

enforcement for serious or repeated violations.

- Link public renewable-energy funding, grants, and procurement to minimum decent-work standards.
- Strengthen worker representation, grievance mechanisms, and monitoring, with data disaggregated by gender, age, disability, region, and employment type.

The case for a supported formalisation approach is that Kenya's legal foundation for employment rights, occupational safety, and worker organisation is already largely in place; what is missing is practical guidance that translates general labour law into requirements that renewable energy SMEs can actually follow, together with phased support that lets them follow it without collapsing under the cost of compliance

1. Introduction

Kenya's experience of the just energy transition mirrors a wider pattern emerging across the region. A 2024 study of South Africa's renewable energy sector found that, although the country's energy transition is creating growing numbers of jobs, there is still no shared definition of what a decent renewable energy job actually is. Without that, the sector risks reproducing the job insecurity, weak collective bargaining, and limited skills pathways associated with the industries it is replacing.¹

The same study argues that green job creation and decent work are not automatically the same thing,

and that deliberate policy attention to contracts, skills development, and working conditions is needed if renewable energy employment is to differ meaningfully from the informal, project-based work that often characterises it. Kenya's own evidence, set out below, suggests the same gap: renewable energy is creating employment at pace, but without a parallel formalisation effort, that employment risks entrenching rather than reducing labour insecurity.

Kenya's renewable energy transition is creating employment in solar installation, sales, distribution, maintenance, customer service, civil works, and project-based construction: in 2022, decentralised renewable energy activities supported an estimated 53,000 direct, indirect, and induced jobs.²

However, employment growth has not been matched by consistent improvements in job quality. Many workers in renewable energy small and medium enterprises (SMEs) remain in casual, temporary, project-based, or informal employment, with limited access to written contracts, predictable pay, social protection, protective equipment, and clear procedures for raising workplace concerns. Our research across Central, Coastal, and Western Kenya found these protections particularly weak among workers in SMEs and informal arrangements.

Young people are strongly represented in technical and field-based roles but often have limited job security or career-progression opportunities, and women and persons with disabilities face additional barriers to secure technical employment. Union membership was below 5% across the three regions, further weakening workers' ability to negotiate over contracts, safety, and benefits.³

Kenya already has a legal foundation for employment rights, occupational safety, worker organisation, and compensation for workplace injuries. The main policy gap is weak implementation, limited monitoring, and the absence of practical formalisation guidance tailored to renewable energy SMEs; smaller firms also face thin margins, irregular cash flow, and limited administrative capacity, making compliance difficult without targeted support. Without action, Kenya risks creating green jobs that reproduce existing labour

insecurity. Formalisation is therefore necessary both to protect workers and to build a more professional, productive, and credible renewable energy sector.

The remainder of this policy brief is structured in three sections. Section 2 presents the evidence on job quality, the emerging two-tier labour market, social protection, and worker voice. Section 3 examines the policy pathways available for formalisation. Section 4 sets out recommendations for building a supported, sector-specific formalisation framework.

2. Job quality, labour-market duality, and social protection gaps in renewable energy SMEs

Employment is growing, but job quality remains uneven. The research shows that renewable energy is creating work in installation, distribution, maintenance, customer service, civil works, and project-based construction, but employment security varies sharply across firms. A substantial proportion of this employment remains informal, temporary, or project-based.^{4 5} The findings of our own research confirm this.

A two-tier labour market is emerging. An ILO assessment of Kenya's green mini-grid sector found that permanent employees had formal contracts, while most temporary workers did not.⁶ Our research found that workers in larger, better-capitalised firms are more likely to receive written contracts, training, protective equipment, and employment benefits, while smaller firms and installation teams rely more heavily on casual and project-based labour. Some workers in informal roles reported earning between KES 300 and 1,000 per day, often without benefits or predictable career progression. This is qualitative evidence rather than a national wage estimate, but indicative of insecurity in the lower tiers of the sector.⁷

Social protection, safety, and worker voice remain weak. Many workers lack health insurance, pension contributions, paid leave, and formal safety systems. Installation and maintenance work may involve electrical and physical hazards, remote travel, and

irregular hours, and often there is inadequate protective equipment. Union membership was below 5% across the three study regions, limiting workers' ability to negotiate over pay, contracts, safety, benefits, and skills progression.⁸

Formalisation must recognise SME constraints. Many SMEs operate with thin margins, irregular cash flow, and limited compliance capacity. Formalisation must therefore combine minimum standards with simplified guidance, social-protection registration support, occupational-safety awareness, and phased compliance, protecting workers while supporting firm professionalism, worker retention, and service quality. Studies recommend combining enforcement with simplified procedures, practical assistance, and

incentives that enable smaller enterprises to formalise without threatening their survival.^{9 10}

3. Policy pathways for a supported formalisation framework

An enforcement-led approach could strengthen accountability through more inspections and penalties but would not address the financial and administrative constraints facing small firms and could encourage further informality. A set of voluntary guidelines would be easier and less costly to introduce, but uptake would be uneven without monitoring, incentives, or enforcement.

Policy option	Key features	Advantages	Disadvantages	Feasibility
Maintain the current approach	Continue relying on existing laws and inspections.	No major implementation cost.	Existing protection and enforcement gaps are likely to persist.	High
Enforcement-led formalisation	Increase inspections and penalties.	Provides a strong accountability signal by forcing compliance.	May burden small firms without addressing their capacity constraints.	Moderate
Voluntary sector guidelines	Issue non-binding voluntary guidance for renewable energy SMEs.	Low cost, collaborative, and relatively easy to introduce.	Uptake may be uneven, with limited accountability.	High

Policy option	Key features	Advantages	Disadvantages	Feasibility
Recommended option: supported formalisation framework	Combine minimum standards with phased compliance, targeted enforcement and practical tools for SMEs.	Addresses worker protection while keeping SME capability in mind.	Requires institutional coordination, initial resources, and continued monitoring.	Moderate to high

The preferred option is a supported, sector-specific formalisation framework, combining clear minimum standards with simplified contracts, compliance tools, social-protection registration assistance, occupational-safety guidance, phased timelines, and targeted enforcement for serious or repeated violations. This option offers the strongest balance between worker protection and SME sustainability: it recognises that accountability is necessary, but that smaller firms also require practical assistance to meet decent-work standards.

In practice, this means that government should publish practical guidance, support phased compliance, require decent-work conditions in publicly supported programmes, empower worker representation and monitoring, and continue to localise manufacturing, procurement and skills development to expand renewable energy employment.

4. Towards change in policy and practice

4.1 Develop sector-specific formalisation guidance. The Ministry of Labour and Social Protection should develop practical guidance for renewable energy SMEs covering written contracts, wages, working hours, Social Health Authority (SHA) and National Social Security Fund (NSSF) registration, occupational safety, injury reporting, grievance procedures,

and worker representation, including simple contract templates, employment records, and safety checklists. This should be developed with input from energy firms, labour organisations, industry associations, and SMEs.

4.2 Introduce phased compliance assistance. The Ministry of Labour and Social Protection should pilot a supportive compliance programme combining awareness, self-assessment tools, advisory inspections, and targeted enforcement for serious or repeated violations, with participating SMEs receiving support for SHA and NSSF registration and training in occupational safety and decent-work standards.

4.3 Link public support to decent-work standards. The Ministry of Energy and Petroleum, the Rural Electrification and Renewable Energy Corporation (REREC), county governments and other public institutions should include decent-work conditions in renewable energy tenders, grants, and SME support programmes. These should require supported firms to demonstrate written employment agreements, basic social-protection registration, occupational health and safety measures, protective equipment, and grievance procedures.

4.4 Strengthen worker voice and accountability. The Ministry of Labour and Social Protection should track contracts, social-protection enrolment, safety compliance, and worker complaints in renewable energy SMEs, with data disaggregated by gender, age, disability, region, and employment type. Labour unions such as the Central Organisation of Trade Unions (COTU) and the Kenya Electrical Trades and Allied Workers Union (KETAWU), alongside CSOs and associations such as the Kenya National Federation of Jua Kali Associations, should support worker awareness and safe reporting channels. Parliament should review annual evidence on job quality, safety, and SME compliance support, beginning with a baseline established within twelve months.

Implementing a supported formalisation framework requires government investment in sector guidance, stakeholder consultation, labour and occupational-health-and-safety training, SME outreach, support for social-protection registration, and basic monitoring systems. It requires SMEs to invest in protective equipment, employment records, written contracts, and improved safety procedures. Because many small firms operate on thin margins and irregular cash flow, these requirements should be phased and supported through simplified tools, advisory assistance, and links to firm training programmes.

The expected benefits outweigh the initial costs: workers would gain clearer employment terms, safer workplaces, improved health and pension protection, and stronger channels for raising concerns. Firms could benefit from improved worker and skills retention, fewer accidents, more reliable service quality, stronger business reputations, and greater eligibility for public procurement.

Endnotes

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