

Business management: Gig Economy

# The State of Kenya's Gig Economy

Growth Opportunities, Key Challenges and Policy Requirements For A Sustainable Digital Economy

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## Overview

The term 'Gig Work' was first coined around 1915 by jazz musicians to describe short-term musical performances. Today, 'Gig Work', more recently popularized through platform-based work, refers to the exchange of labor for money on a short-term or payment-by-task basis. Currently, gig work, flexi-work, on-call work, freelance, and other terms represent non-standard employment (NSE) forms that deviate from conventional employment structures. When these forms become widespread, they collectively contribute to what is known as the "Gig Economy."

The global gig economy has seen substantial growth over the past five years. In 2019, the market size was estimated at \$204 billion<sup>1</sup>. By 2024, it had grown to \$561.2 billion, CAGR of 22.4%. The number of gig workers worldwide has similarly increased from an estimated 1.1 billion in 2019 to an estimated 1.6 billion by the end of 2024. This expansion is driven by the growing demand for flexible work arrangements, advancements in technology, and the proliferation of online platforms<sup>2</sup>.

Kenya has also made notable progress in its gig economy, with approximately 1.2 million gig workers<sup>3</sup> (4.7% of Kenya's workforce), placing its gig economy market size at about \$345 million as of 2023, up from \$109 million in 2019 (CAGR of 33.9%).

The expansion in Kenya's gig economy is driven by the country's high unemployment rates (12.7%)<sup>4</sup> and a youthful population. According to the 2019 population, 75% of the Kenyan population (35.7 million people) are youths (under the age of 35), and the informal sector, which encompasses much of the gig economy, accounts for 83.6% (14.9 million) of Kenya's working population. Ride-hailing services and online professional work account for the largest share (40%) of this sector's value<sup>5</sup>.

Kenya's gig economy growth is also closely tied to increased digital connectivity. As of January 2024, Kenya had 22.7 million internet users, 32.4 million mobile phone users, and approximately 63.9 million mobile connections (excluding IoT).

The high penetration of mobile phones and the internet has enabled online platforms to connect freelancers with clients more efficiently.

The majority of gig workers in Kenya earn between KES 10,000 and KES 40,000 per month, though a few outliers may earn over KES 50,000. However, the earnings are often inconsistent and unreliable, particularly for those relying solely on gig work. Stabilizing these earnings could greatly enhance the livelihoods of Kenya's gig workers.

A significant proportion of Kenya's gig workers are male (~63%) and below 35 years old (~75%). Older individuals are less likely to participate, with 40% of gig work involving physically demanding and mentally stressful jobs, especially in ride-hailing and delivery services. This demographic may also view gig work as a temporary solution while seeking more stable employment.

In terms of education, most gig workers (43%) have completed only high school, a majority (55%) have some form of tertiary education, with a mere 2% holding a Master's degree. This can be attributed to the fact that many gig jobs (60%) do not require advanced skills or formal education. For instance, ride-hailing platforms, which constituted about 50% of the Kenyan gig economy in 2024, require minimal qualifications; a driving license and an approved vehicle. Consequently, additional expertise does not necessarily lead to better pay or opportunities in this sector, contributing to underemployment among more highly educated gig workers.

The gig economy in Kenya also lacks structured career progression, as workers are hired for specific tasks without access to training, mentorship, or promotional pathways. Additionally, the focus on short-term, task-based work and unstable income makes it difficult for gig workers to invest in skill development or advance in their careers.

<sup>1</sup> Mastercard Gig Economy Industry Outlook and Needs Assessment

<sup>2</sup> Mercy Corps – Towards a digital workforce report.

<sup>3</sup> Business Poverty and the Exchange Africa Website

<sup>4</sup> Federation of Kenyan Employers

<sup>5</sup> Mercy Corps – Towards a digital workforce report.

## Major Sectors

Ride-hailing services (40% of the gig economy)	E-commerce and delivery services (30% of the gig economy)	Professional services (5% of the gig economy)	Freelance platforms (12% of the gig economy)	Social Media Virtual Market-places (8% of the gig economy)	Online Learning Platforms (5% of the gig economy)
<ul style="list-style-type: none"> <li>➤ Companies like Uber, Bolt, and Little Cab dominate urban transport.</li> <li>➤ Employed approximately 60,000 workers in Kenya (2023).</li> <li>➤ Primarily provides jobs for young men.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Platforms like Jumia and Glovo have boosted logistics and delivery jobs.</li> <li>➤ Created around 15,000 jobs to meet online shopping demand.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Growing sector with independent consultants, legal advisors, and accountants engaging in freelance work through Upwork &amp; Fiverr.</li> <li>➤ Online professional services contributed \$55 million to the gig economy (2023).</li> </ul>	<ul style="list-style-type: none"> <li>➤ Global platforms like Upwork &amp; Fiverr provide opportunities in writing, graphic design, and virtual assistance.</li> <li>➤ Freelancers play a significant role in the gig economy, though exact numbers are hard to determine.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Platforms like Instagram, Facebook, and TikTok support businesses by enabling direct-to-consumer sales.</li> <li>➤ By 2021, around 5 million businesses and merchants in Kenya were using these platforms.</li> <li>➤ Reduces overhead costs by eliminating the need for physical stores.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Platforms like Course Hero, Dawati, Studypool, Chegg, and Quraro connect students with tutors.</li> <li>➤ Chegg had approximately 4.4 million subscribers worldwide by the end of 2023.</li> <li>➤ Course Hero serves millions globally, supporting student learning and tutoring services.</li> </ul>

Source: Kenyacatalyticjobfund, Fairwork website and Business Fights Poverty Website

## Features of gig work

### Autonomy and flexibility

Gig workers enjoy a high degree of control over their workload, project selection, and schedules. This flexibility is particularly attractive to those seeking work-life balance or supplementary

### Payment by task or assignment

Gig workers are paid per task or job completed, unlike salaried employees who receive a steady income.

### Short-term contracts

Assignments are typically short-term with a defined end date, acknowledging the temporary nature of the relationship between the worker and client.

### Income variability

Since work is not guaranteed, workers' incomes can fluctuate significantly from one period to the next, depending on the availability of tasks and competition on platforms.

### Digital and platform-based

The gig economy is primarily driven by digital platforms and online marketplaces that connect freelancers

### Diverse range of work

The gig economy spans a wide variety of sectors, from transportation and delivery to freelance writing, graphic design, and virtual assistance. This diversity allows for a broad range of skills and interests.

### Skill development and experience

Gig workers often develop new skills and gain varied experiences through their assignments, which can enhance their employability and professional growth. However, opportunities for career advancement within the gig economy itself may be limited.



Source: Rushford Business School & Cambridge University Press

## Benefits of gig work to gig workers

### Diverse income streams

Gig workers can secure diversified income through multiple clients, offering greater financial stability, particularly for younger individuals or those from disadvantaged areas.

### Reduced commuting and cost savings

Many gig workers benefit from remote work opportunities, which reduces daily commuting, lowers transportation costs, alleviates stress, and contributes to a more sustainable lifestyle by minimizing environmental impacts.

### Skill development and professional growth

Gig work enables workers to develop a diverse skill set through various assignments, enhancing their employability and offering long-term career opportunities, while also providing valuable entrepreneurial experience for those interested in starting their own businesses.

### Career exploration and networking

Gig workers can explore various industries and roles without long-term commitments, allowing them to discover new career paths and build a diverse professional network that may lead to future opportunities and collaborations.

### Work-life balance and flexibility

The flexibility of gig work allows individuals to manage their work schedules and locations, enhancing their ability to balance personal and professional commitments, which in turn promotes overall well-being.



### Specialization and skill development

By specializing in a niche, gig workers can cultivate deep expertise that enhances their competitiveness and value to clients, while continuous learning through formal education or self-directed study keeps their skills current and strengthens their professional profile in the gig

### Higher earnings potential

Gig workers with specialized, in-demand skills can often earn significantly more than their traditionally employed peers due to the ability to charge premium rates for their niche expertise.

### Networking and mentorship opportunities

Building relationships with industry professionals and seeking mentorship allow gig workers to gain insights and deepen their understanding of their field, contributing significantly to their professional growth and long-term expertise.

Source: Rushford Business School & Cambridge University Press

## Benefits of gig work to companies

### Labour flexibility

The gig economy allows firms to hire workers on a task-specific basis, enabling rapid adaptation to market changes and operational needs without long-term commitments.



### Access to specialized talent

Firms can access a wider range of specialized skills for short-term projects without needing to hire permanent employees or provide extensive training.

### Cost efficiency

Engaging gig workers helps companies lower labour costs by compensating based on completed tasks instead of fixed salaries, thus controlling expenses more effectively.

### Faster response to market changes

The gig economy enables businesses to quickly adjust their workforce size in reaction to market demands, giving them a competitive edge over organizations reliant on permanent staff structures.

Source: Rushford Business School & Cambridge University Press



## Key focus areas for growth

### Enhancing digital infrastructure and tax

Expand internet access in underserved areas and improve digital literacy. The introduction of digital taxation in Kenya's gig economy is expected to boost government revenue, and promote fair competition between digital platforms and traditional businesses.

### Regulation and worker protection

Establish clear regulations for worker classification and enforce fair pay standards.



### Promoting digital platforms

Encourage local platform development and attract international gig platforms.

### Skill development

Subsidize training and create certification programs for gig workers.

### Awareness campaigns

Raise awareness about the gig economy as a viable income source and foster public-private partnerships.

### Legal support

Provide affordable legal advice and establish dedicated judicial support for gig workers.

Source: Mercy Corps – Towards a digital workforce report

## Challenges faced by gig workers

### Income instability

Gig workers face unpredictable earnings, affecting financial security.

### Lack of benefits

Many lack access to healthcare, retirement plans, and insurance.

### Work availability

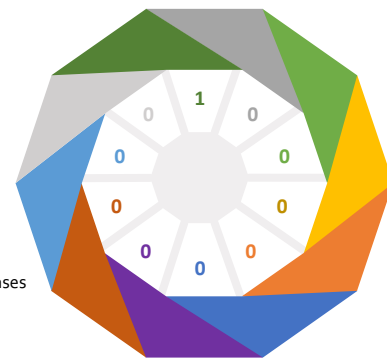
Job opportunities can be inconsistent, leading to income variability.

### Client concentration risk

Heavy reliance on a few clients increases financial vulnerability.

### Market saturation

Increased competition can reduce earnings and job opportunities.



### Tax compliance

Platforms like Upwork now require freelancers to provide tax details before receiving payments, increasing their financial obligations.

### Limited career growth

Gig work's project-based nature restricts long-term career advancement.

### Regulatory gaps

Absence of clear regulations may lead to exploitation of workers.

### Overworking & health risks

Long hours across platforms can harm health and lead to burnout.

### Isolation

Lack of social interaction and support networks impacts mental well-being.

### Skill upgradation costs

Workers often bear the costs of maintaining and upgrading skills.

Source: Microsave consulting report

## Regulatory challenges of gig work

### Corruption

Affects the commitment of stakeholders to implement legal and policy frameworks.

### Lack of funds

Essential for challenging the status quo and ensuring fair practices.

### Lack of awareness

Many gig workers are unaware of their rights.



### Self interest

Gig workers often lack a sense of community and collective responsibility.

### Lack of specific laws

Existing laws do not recognize gig workers as employees. Inadequate regulatory efforts: Current efforts are viewed as tax collection measures rather than addressing worker welfare.

Source: Mercy Corps – Towards a digital workforce report

## Policy recommendations to enhance the gig economy

### Formal recognition

Recognize gig work as legitimate employment, ensuring gig workers receive appropriate rights and benefits.

### Legal framework updates

Collaborate with stakeholders to review and enhance existing policies regulating the gig economy.



### Worker awareness and unionization

Educate gig workers about their rights and promote unionization efforts for better representation.

### Diverse income strategies

Develop initiatives to diversify gig work opportunities and promote it as a viable income source.

Source: Mercy Corps – Towards a digital workforce report

## Conclusion

The gig economy in Kenya is expanding, driven by technological advancements and evolving work preferences. Policymakers must strike a balance between flexibility and worker protection. Countries such as Germany, Italy, Canada, and the UK have integrated platform workers into their labor laws, while the European Commission's Pillar of Social Rights seeks to enhance protections for gig workers. Kenya can adopt best practices from these models to establish a robust regulatory framework for her gig economy.

## About Algum Africa Capital

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