CASE STUDIES

Developing a Business Case for Labour Law Compliance
Contents
1.0 SUMMARY OF BEST PRACTICES AND LESSONS ON COMPLIANCE TO LABOUR LAWS

1.1 What is the best practice? ......................................................................................................................... 3
1.2 How can it be institutionalized? .................................................................................................................. 4

2.0 Case studies .................................................................................................................................................. 4

3.0 Data Analysis ................................................................................................................................................ 4

4.0 FINDINGS ..................................................................................................................................................... 5

4.1 OMA SERVICES ............................................................................................................................................ 5
4.2 Prestige Shuttle Tours and Travel Ltd .......................................................................................................... 6
4.3 Seneca East Africa ...................................................................................................................................... 10
4.4 SERIAN SACCO Ltd. ................................................................................................................................... 12
4.5 Kayoline SACCO- Nairobi ......................................................................................................................... 13
4.6 Kamukunji Jua Kali Associations ............................................................................................................ 14
4.7 KONG Security Service ............................................................................................................................. 16
4.8 Kenya Bus Services ...................................................................................................................................... 16
1.0 SUMMARY OF BEST PRACTICES AND LESSONS ON COMPLIANCE TO LABOUR LAWS

1.1 What is the best practice?

The National Transport and regulation act which came into effect in 2013 provides for largely regularizing the Public transport sector in Kenya. Its key tenets include that no person should run a PSV without a valid license issued by the authority. It makes it mandatory for PSV operators to belong to a corporate body or a SACCO where such bodies should comply with labour laws in respect of statutory deductions, health and safety of the workplace, Work Injuries Benefits Act insurance, statutory leave days and written contracts of employment for staff. It seems that owners join the corporate bodies to meet the first requirement, but thereafter, the deductions for membership to the social funds are left to employees. The NTSA has no capacity to enforce the finer requirements. The act is followed largely to prove that a matatu is affiliated to a SACCO. The SACCOs especially are unable facilitate the registration and continued contributions to the social funds by the employees.

Long distance SACCO PSV operators have a higher compliance rate, largely governed by the ease of control of operation over long distances. Successful SACCOs are to be found with up to date documentation proof of labour law compliance. In such SACCOs, employees enjoy longer leave days, less work ours and way above average salaries. A driver at the Prestige Shuttles for example takes home close to Kes.40,000.00, a salary comparable to an entry level scale for a graduate employed by local banks. The low maintenance costs, low levels of corruption and motivated crew enjoyed by such SACCOS and PSV management firms generally renders itself to higher productivity per matatu.

Prestige Shuttles is operated as a service company to PSV owners. It is managed purely as a company with fees charged to cover the costs and mark up for company. PSV owners have little executive powers and conflict of interest is rare. PSV Management companies such as Prestige Shuttle and KBSM are proof that matatu operations complying with the labour laws can operate profitably. The myriad of problems underpinning the industry from corruption, cartel infiltration, road carnage and indecent jobs are seemingly addressed by PSV management firms interviewed in this study.

The size and strategy of SACCOs seem to matter when it comes to compliance and good business. SERIAN and OMA SACCOs have been successful largely due to the shared vision of the few members. Town Services PSV operators face a myriad of problems, for one the vehicles plying town services tend to be much older, the competition is stiffer and controls are more difficult given the short distances. For Town operators, the cashless system seems to be the panacea to bring control and ease towards better labour law compliance.
In the Private Security sector, compliance with labour laws evidently contributes to business development. For the sector, procuring policy that emphasizes labour law compliance could lead to creation of decent jobs in the sector.

1.2 How can it be institutionalized

The *matatu* industry players such as the employers and their grassroots associations perceive that compliance with the labour laws would increase the cost of doing business, eat into their already small profit margins and edge out the marginal operators. Weak accounting structure, mistrust and suspicion amongst the industry employers and employees, and individualization of management and employment in the industry are key contributing factors to the perception of high cost of compliance. These are perceptions however, true or false but they need to be determined. The NTSA apart from enforcing and regulating should include in its mandate to educate the stakeholders on business case for compliance. Similar and concerted efforts by NHIF and NSSF at showcasing potential social benefits accruing to employees (through employers) make for a good business case.

2.0 Case studies

On selecting the MSMEs that provide for good case studies, the assignment will look at the same SACCO sample and extract the more successful ones and look at the business performance as compared to the compliance levels. This will emerge from the intermediate results of the application of the business performance and compliance tool described in Annex B. Four case studies from the Matatu sector will be selected from each of the Regions and one from Nairobi. The cases will be selected by officials of the Matatu associations who have a good knowledge of the very successful operators in their association. *A criterion for the type of MSMEs, based on business success to Labour law compliance factors*

3.0 Data Analysis

After coding and data capture using the Statistical Package for Social Sciences (SPSS), the data will be cleaned for errors, followed by analysis. Descriptive statistics will be used for analysis. Frequency distribution tables will be established to examine the percentages and frequencies. Bar charts will be used to summarize and present the frequencies. The information and data gathering matrix is attached as annex A. the follow-up template will capture information on progress made towards achieving the actions agreed upon during the training. Challenges if encountered will be recorded and necessary further action discussed and agreed with the MSME.
4.0 FINDINGS

4.1 OMA SERVICES
OMA services limited, founded in 2013 is owned by eight directors who have invested in the transport sector. Their buses ply routes 23 and 55 in the Buruburu and Outering areas of Nairobi’s Eastlands. The company has 30 buses under its control. Since OMA is not a SACCO, their busses are franchised to c-bet and compliant SACCO.

“It was not easy operating matatus before the ILO intervention. There were many challenges then, you could face the police as an individual if your bus was involved in an accident or failed to meet TLB regulations,” says Patrick Njenga, a director and treasurer of OMA. Other challenges included difficulties in obtaining TLB license and insurance, crew indiscipline including failure to surrender the correct daily collections and inability to access credit from financial institutions. Some of the drivers were drunkards and this risked the lives of passengers. Then, it was difficult to discipline reckless drivers because they could easily find another job within the matatu sub-sector.

Matatu owners had a poor saving habit. “It was difficult to convince a bank that you were able to repay the loan. We could pick ksh. 2,000 from the matatu crew every day and use it on personal needs. We did not save at all,” says Njenga.

4.1.1 Compliance benefits
The ILO training and sensitization sessions have enabled OMA to streamline its operations and improve its profitability. OMA members have been trained by ILO on financial management, record keeping, costing, marketing and business planning; “There is strength in unity. Unlike before, when five buses are involved in accidents, you do not need the five owners of the buses to go to the police station. it is only the OMA chairperson who will handle the five cases,” says George Githinji, a professional accountant and the OMA chairperson. The company has a lawyer who advises on such cases.

There is now discipline among the crew. The company, after being sensitized by ILO on the importance of vehicle inspection, made it mandatory that all their buses be inspected in industrial area, the government’s inspection yard. “We do not bribe the police to get fake inspection certificates,” says Githinji. This is because they appreciate the importance of their buses being road-worthy. OMA officials say the training has helped them understand the laws governing the transport sector. This has made it easy for them to deal with the police and other relevant arms of government and generally adhere to the rules regulating the sector.

Other changes that have helped streamline the sector include the introduction of SACCOs. SACCOs have helped in disciplining drivers. For example, a driver no longer drives the bus recklessly because they know it will not be easy to be employed elsewhere once sacked. Today, a driver cannot leave a SACCO without clearance from the SACCO he or she belongs to. The drivers now have employment contracts and cannot just walk away from their job nor can the employer just sack them without justifiable reason. Compliant and c-bet crews are covered by national hospital insurance fund and contribute to national social security fund.
Directors of OMA concur that the ILO interventions have helped make their business more profitable. “Our net worth is even better than those of some SACCO. Each of us (eight directors) saves ksh.4,500 per week. Therefore OMA Company saves ksh. 144,000 per month,” says Githinji. This makes it easy for the company to secure loans from banks for development. Their investments include a jointly owned bus which they bought in 2013, shares in INVESCO insurance company and land in Longonot area in Nakuru County. OMA secured a loan from Uchukuzi SACCO, to which they are members, to buy the longonot land.

4.1.2 Other benefits
The directors get dividends from INVESCO yearly. As INVESCO agents, OMA also receives commissions on businesses it transacts on behalf of the insurance company. On the other hand, the company fuels its buses at specific petrol stations at discounted rates. “If for example, our buses use 5,000 litres of fuel per month, the petrol stations give us ksh. 2 as rebate on each litre of petrol we buy,” says Githinji.

4.2 Prestige Shuttle Tours and Travel Ltd
The Nakuru-based Prestige Shuttle Tours and Travel Ltd was founded in 2007 but was incorporated as a limited company in 2010. Some of its members belonged to Molo line before decamping to found their own company. Initially, Prestige brought together individuals with PSV vehicles who had control of their vehicles together with the crew. Prestige management found it difficult to deal with the vehicle crews as well as owners of the vehicles.

“Initially, there were no major benefits accruing from being a member of Prestige Company. The company had no control over the vehicles because there were several centers of power. It was difficult to run the business efficiently because even communication between the company and vehicle owners was poor,” remembers Stephen Wambua, Prestige’s General Manager. Due to the confusion that reigned, it was even difficult for the company to track the movement of the vehicles. It was therefore not possible to know which vehicle had been detained by police, those involved in accidents and those being serviced at garages.

Before Prestige became a company, it was run by a Managing Director with several managers under him. The secretariat was run on commissions charged from vehicles. All vehicles under the umbrella group were charged a commission per trip made to enable the running of the company. A strict requirement in force then ensured that all vehicles operate passenger manifests which would record trip details and routes they were plying on. The company shared these details with vehicle owners.

Even though this portrays a semblance of orderliness, the truth is that the situation was far from perfect. Drivers were reckless and crews stole from vehicle owners by declaring false earnings while they pocketed the rest of the money. It was not easy for Prestige to rein in the crews. One factor that precipitated this quagmire was the composition of the crew. “Most
crew members were relatives or friends of vehicle owners. It became difficult for Prestige to discipline them. Vehicle owners believed the word of the driver over that of the Prestige officials,” adds Wambua.

Traffic police with their corrupt tendencies thrive well in such chaotic situations. It was a field day for them as they took advantage of the situation to extort money from vehicle crews for real and imagined traffic offences. For example, if a driver was found not to have a TLB license, the standard bribe to the police was Ksh. 700. Those who had invested tens of millions of shillings in PSV vehicles failed to realize reasonable returns. On average, each driver would use Ksh. 400 daily to bribe the police. Then, prestige had about 30 vehicles. This translated to a total of Ksh. 12,000 in bribes given by Prestige crews to the police daily.

It was not easy to comply with TLB requirements. One had to wait for the board members to visit his district or alternatively go to Nairobi to apply for the documents which, among others, included road license. Today, the e-governance has made it easy to acquire these documents, sealing corruption loopholes.

Then, Prestige had a fleet of 24 vehicles plying the Nakuru-Nairobi route. Today, they have about 102 seating 11; 33; 51 and 67 passengers. The vehicles belong to about 40 investors. The crews’ penchant for stealing from the vehicles owners was partly due to their poor remuneration. Then a driver could earn Ksh. 300 per day and would be penny-less whenever the vehicle went for service, was involved in an accident or he was sick. The operating dictum was no work, no pay.

Such un-conducive operating environment is rife with many pitfalls. There being no proper regulations for the matatu sub-sector, vehicles carried excess passengers and it was not uncommon to find vehicles authorized to carry 14 carrying 28 passengers. This had a ripple effect on other sectors but especially the insurance industry. “When a 14 seater carrying 28 passengers got involved in an accident and passengers died or got injured, all the 28 were entitled to claim compensation from the insurer. Accident victims or their next of kin
produced medical reports backed with P3 Forms and insurers had no option but to pay. This drove some insurance companies under,” says Wambua. Also, premiums for insuring matatus were high because the sub-sector was considered a high risk.

4.2.1 Compliance benefits

Wambua and the company’s Human Resource Manager, together with two office managers have been trained in Labour Laws by the International Labour Organization (ILO) of the United Nations. The residential training concluded with the trainees being awarded certificates of attendance. Those who were trained by ILO have in turn been training their colleagues (including vehicle crews) at Prestige therefore cascading the skills acquired among the file and rank in the organization.

The training was part of ILO’s objective of sensitizing and creating awareness on labour laws among the matatu stakeholders with the aim of catalyzing transformation in the employment behavior in the sector. This would be achieved through making efforts to disseminate knowledge about business owners’ obligations under the law as well sensitizing workers on their rights through training forums. This would in turn help in the promotion of equilibrium in the market place and develop social dialogue pathways for small businesses where workers often times do not have the capacity or the capacity to discuss their rights with their employers.

The project has also helped business owners understand that compliance to labour laws is good for them by attempting to build a business case for this and simplifying the labour laws and developing a simplified popular version of the Labour laws.

The training has impacted on the company positively. Wambua says the training has helped transform the hitherto chaotic sub-sector into a decent work place. ”We talk to our drivers week in week out on key issues such as the need to make statutory contributions such as NHIF and NSSF,” Wambua says. The ILO input has helped galvanize the Prestige family into working together to achieve more than transport efficiency and profitability.
Out of the unity that is now evident at the company, has sprouted a welfare association bringing together all and sundry. Each member of the Prestige family, from the sweeper to the General Manager, is required to save a minimum of Ksh. 1,000 per month. This money is loaned out to members at a paltry interest rate of 1%. The interest is ploughed back into the welfare. Through this saving, the welfare has bought two buses. Just the other day, a driver got a loan of Ksh. 70,000 while another one took a big loan to buy his own vehicle which is now part of the Prestige fleet.

Daniel Oloo, a driver with Prestige for three years now, attests to the benefits of an organized matatu sub-sector. “Before we used to be like watu wa mjengo (construction casual labourers) …from hand to mouth. We went through difficult times especially the days we did not work. Today I am happy with the formalization of the employment and especially the opportunity to save in our welfare organisation as well as the NHIF and NSSF benefits,” Oloo says. Nakuru hospitals that serve Prestige employees under NHIF are War Memorial and Nakuru Nursing Home.

Oloo says although the relationship with the police has improved, a good number of the Utumishi kwa Wote officers still ask for bribes. When crews run into trouble with the police, Prestige uses a lawyer to settle the case.

Today, all Prestige crews have employment contracts with the company. Each earns between Ksh. 18,000 and 20,000. Besides, they are given lunch (Ksh. 200) and accommodation allowances (Ksh. 500) daily. At the end of the month, the company makes deductions for lunch and accommodation, crew salaries; fuel and maintenance among others and the balance is transferred to the bank accounts of vehicle owners. An average monthly return for an
investor with one vehicle is Ksh. 100,000. This shoots to about Ksh. 200,000 during good months.

Prestige has entered into an agreement with petrol stations where their vehicles draw fuel. “Our drivers do not carry cash for fuel. Not even cash for maintenance. Ticket money is retained at the booking offices. We draw about 2,500 to 3,000 litres of petrol daily,” says Wambua. Operations have become centralized so that even in terms of vehicle maintenance, Prestige has designated garages or mechanics that are retained to repair their fleet. The company also buys spares in bulk. This has significantly reduced cases of crews cheating about the maintenance costs. Major costs for the company include salaries, fuel and maintenance.

Matatu business is complex. However, Prestige Company has mastered the ropes of the trade and is now reaping benefits from this transport sub-sector. The ILO training has helped the company strive towards efficiency which has ultimately steered the company into profitability. This has also been possible due to the Prestige brand. The company is now associated with efficiency and as a result many travelers trust them.

4.3 Seneca East Africa

Sentry and Patrons which has grown and morphed into the present-day Seneca East Africa was founded by Mr John Kipkorir in 2002 with only eight security guards. It merged with Integrated Risk Management Solutions in 2010 in a bid to re-invent itself into a profitable outfit.

As Sentry and Patrons, the security firm had low-paying clients, which impeded its growth projections. “We shed off a third of our business when we undertook the merger because we wanted to have clients who demanded quality services but were willing to pay us well,” Ms Annette Kimitei, Seneca East Africa’s Deputy Managing Director, said.

Seneca is a group of companies and among these companies is the Karen-based Private Security Training Academy (PSTA). The academy, which is certified by the National Industrial Training Authority, trains security guards for Seneca and other companies. Internally, the training is dictated by the demand from Seneca’s clients. For example, a new supermarket requested the academy to provide it with 30 security guards within one month. The academy met this request.

To be recruited for training at the academy, one must possess a form four certificate; provide a letter from the chief; produce a certificate of good conduct; furnish the academy with past employment history (if any) and also provide family details including next of kin. The training takes two weeks, but may extend for a week if the recruits require specialization. For example, those to provide security in hospitals; hotels, banks, construction sites and those who do airport escort require specialized training. Successful graduates are employed whereas those who fail the examination are given an opportunity to re-sit the exams. Those who still fail are dismissed.
Besides imparting security provision skills to the trainees, other essential skills they are taught include financial management and life skills (including HIV and AIDS). A good number of security guards run *boda boda* businesses in their rural areas as an income-generating activity. This is an indication that they do apply financial management skills they acquire during training.

Before 2010, security guards at Seneca used to earn a low salary including fewer allowances. For example, a newly employed security guard could earn between Ksh. 5,000 to 6,000. They did not enjoy off days unlike today. Currently, the starting salary is Ksh. 12,000 for those on probation, which is increased to Ksh. 14,000 upon completing probation. Seneca makes statutory deductions including NHIF, NSSF and National of Industrial Training Authority (DITA) for its security guards. The company provides the security guards with uniform. Those who work on holidays earn double a day’s wage and they are also entitled to a day off after working for six days. Seneca operates a group cover for all its employees including security guards. A security guard who dies while on duty is entitled to 96 months’ salary as compensation.

The salary scale for security guards offering specialized services and officers is higher. For example, security officers working in the aviation sector earn Ksh. 18,000. On the other hand, officers start with Ksh. 15,000 to 20,000; field officers earn between Ksh. 25,000 and 30,000 and are provided with motorcycles. Project officers have company vehicles and are facilitated with fuel and air time for their mobile phones.

### 4.3.1 Benefits of compliance

All security guards working for Seneca are given yearly contracts. This is due to the fact that clients also give the company yearly contracts to offer security. Turnover of security guards is a worry to the management. Most guards leave to join better paying security companies.

Currently, Seneca’s clients include supermarkets; hospitals; banks; schools and a few parastatal including Kenya Forestry Research Institute (KEFRI) and the Nairobi Securities Exchange (NSE). Seneca is a member of Private Security Industry Association (PSIA), an umbrella organisation bringing together several companies offering security. Kenya Security Industry Association is a similar association but whose membership includes more established security providing companies. Currently, Seneca has 800 security guards deployed in about 46 counties.

Seneca EA is rated the seventh best company in the security business. Kimitei says the company is ambitiously working towards becoming the third best. They also plan to fully go regional starting with Rwanda. Seneca already has a presence in Uganda. Kimitei says this growth should also go in tandem with better terms for the company’s employees. “We are working towards full compliance with the labour laws. We would like to have our employees unionized,” says Kimitei.

Seneca’s strength, according to the company’s management, is its people. The company gives its employees an opportunity to grow through the ranks to the highest position possible. Seneca runs a training kitty that supports its staff to further their education. There are
employees who joined the organisation with certificates and diplomas but have been facilitated to acquire degrees or are currently undertaking undergraduate studies.

For successful provision of security, Seneca works closely with some key stakeholders including Kenya Police Service, chiefs and communities. They also work closely with their clients. Some of these clients are keen on having the welfare of the security guards improved through for example good employment contracts including reasonable allowances, an eight-hour working shift, including simple things like providing guards with drinking water while on duty. The company acknowledges the importance of these incentives and is keen to address them as it seeks to grow its business and profile.

4.4 SERIAN SACCO ltd.
Lucy Mathenge is the current chairperson of SERIAN SACCO Ltd. She has been in the Matatu business for the last 24 years and has seen the growth of the sector. Her Matatus operate between the city centre and a satellite urban centre of Rongai, twenty six kilometers from the city. When she entered the business in 1992, there were not many issues as business was good and easy to run. There was little competition then. The routes had committees that comprised owners of the Matatu. The Matatu route operation was well organized with fares controlled by the committees. The route committees directly employed the drivers and according to Lucy, drivers feared the committee and respected all rules. During the pre-SACCO days, drivers did not have targets. Owners had full control of the operation of the Matatu with the stage managers and marshals maintaining order discipline and enforcing the smooth operation of the fleet.

In 2010, when the new rules, requiring all Matatu owners had to belong to a SACCO, Lucy and other owners joined OLEKISE Matatu SACCO. For the first two to three years, the operation of the SACCO in the route was manageable, but with the increase of vehicles in the route, this increased competition drastically. The numbers of SACCO operating the Rongai route are now more than ten. It has become hard to repay loans and even making Kes 10,000.00 per day is not sufficient to repay a loan for a 33 seater Matatu which currently retails at about Kes 4.8 million. Matters are made worse by the fact that a 23,000.00 Government advance tax is levied for each 33 seater Matatu. According to Lucy, most Matatu do not have comprehensive insurance, the cost of doing so would not make the business viable. According to Lucy, the National Transport and service Authority has the capacity to discipline errant drivers, but about 20% of the vehicles in the Rongai route are not registered, thus not much control is derived from the NTSA rules.

4.4.1 Benefits of Compliance
NTSA rules and especially the condition for SACCO membership made the management of OLEKISE much easier. Through OLEKISE drivers have a contract with clauses on adherence to on safety and discipline. Each driver earns Kes26,000.00 and eligible for one day off in a week. Most employees are registered under the NSSF and the National Health Insurance Fund. This ensured greater worker retention she claims. Drivers and conductors have a savings scheme where their membership offers ownership and benefits accrued from
the OLEKISE SACCO. Seven drivers at OLEKISE had actually managed to buy their own vehicles from the savings at the SACCO.

Two years ago however, Lucy moved on to form a private company, with four co-owners, SERIAN has managed to acquire parking spaces for its fleet of Matatu right in the city centre, thanks to Lucy’s persistence. Each Matatu pays a monthly fee of Kes 5,300 to the Nairobi city council. When she left OLEKISE, Lucy had savings of up to Kes 1.6 million. SERIAN employees are contributors to both the NSSF and NHIF, they receive well above minimum wage salaries and are members of a saving an employee driven savings scheme. It is much easier to manage SERIAN, probably because it has few directors and that these have shared vision of where they intend to take the Matatu Company. Lucy has been successful running her Matatu business, she has educated all her five children up to University level, has built a home and is currently running a mortgage. She is the representative of the Matatu industry in the Kenya Urban Roads Authority (KURA).

Lucy believes that standardizing the look and design of matatus would create some normalcy in the industry. She claims that the new, state of the art, Wi-Fi-fitted and several thousand dollars’ worth of music and video systems matatus are hard to compete with. These are the matatus that overlap, speed and bribe traffic police officers. They are actually preferred by customers who feel that these matatus get them to their destinations much quicker. Their practice is actually customer driven. To get rid of this, Lucy believes that standardization of how the matatus look like would improve the industry. She also thinks that the county government, should invest in adequate Matatu parking spaces in designated areas in the city. Further, the effectiveness of the NTSA would be improved if there were representatives of the Matatu sector sitting on the board of directors.

4.5 Kayoline SACCO- Nairobi

“In spite of the challenges in the Matatu sector, the business opportunity can easily and quickly turn you into a financial success “A Matatu business is a short-cut to personal financial growth” says, Patrick Muhoro the chairman of Kayoline Matatu Sacco.

Kayoline Matatu SACCO operates between Nairobi city and the Mwiki suburbs in Eastern Nairobi. The SACCO officials have the claim that organized Matatu SACCOS originated in this route back in pre-Sacco. This was the period when Vigilante groups in Eastlands took over the running of Matatu operations in the city. The vigilantes groups managed the Matatu stages extorting close to Kes.600 from each Matatu per day. Such vigilantes gangs in their pursuance to control routes and terminus, threatened innocent bystanders, commuters, crews and stage workers. This created a dangerous working environment that was difficult and dangerous to participate in. At some point the gangs increased their fee per day up to Kes.1800. ($18.00). This is when the Matatu owners took the matter into their own hands and decided to form an association. With the help of Government and police for protection over the gangs, Kayoline was born.
4.5.1 Benefits of Compliance

In 2010, KAYOLINE started with 20 members which has grown to 35 with a fleet of 58 matatus. Over 100 people are employed as drivers, conductors, office support staff and stage managers. New employees apply for vacant positions through a formal process where interviews are conducted. On employment, most drivers and conductors are registered under the NSSF and NHIF, however only handfuls regularly pay their contributions. NTSA role is seen as enforcing the initial employment contract, with KAYOLINE declaring that compliance is just to satisfy the Authority, once this is done, the authority does not follow through to ensure continued membership or contribution to the Social Security and Health Insurance agencies. The SACCO, through enforcement of its own regulations has instilled discipline in crew which has effectively reduced maintenance costs and incidences of traffic police bribery. The employees enjoy good working relationships with employers with informal open dialogue mechanism having been put in place. Employee retention has increased, presumably due to the combination of the NTSA rules as well as the good employee-employer relationship.

According to Mr. Muhoro, members of the SACCO savings scheme can access a loan within 24 hours with the minimum period of membership being 3 months. Kayoline operates a side insurance brokerage business, solely for its members. The most attractive product being that a Matatu owner can buy insurance from day one and continue paying a Kes250 per day. This essentially means that owners do not need to raise the insurance premium upfront. Kayoline also provides a service for acquisition of spare parts at low prices since the SACCO can purchase in bulk and still loan money for the purchase for those who qualify.

4.6 Kamukunji Jua Kali Associations

Kamukunji Jua Kali ground is a collection of informal sector workers and is mapped the largest informal manufacturing site in Nairobi. The “Jua Kali” means “under the hot sun” in Kiswahili. It refers to the millions of Kenyans working in small businesses as artisans, mechanics, and vendors under trying conditions, even without shelter from the elements. This Jua kali sector encompasses small-scale entrepreneurs and workers who lack access to credit, property rights, training, and good working conditions. The Kamukunji Jua Kali cluster is dominated by micro (1-3 workers) and small (4-10 workers) enterprises that are located close
to each other with some even sharing the same shed. From a small group of artisans in the 1970s the membership of the association is currently close to 4000 artisans.

The Kamukunji Jua Kali Sacco was established in 2004 and currently comprises of 300 active members. The National social Security fund as well as the National Health Insurance funds, through the association has sensitized members, on the social benefit of Joining the NSSF and NHIF. However, while the officials have understood the usefulness of these social security avenues, less than 5% of artisans are registered in the funds. Private insurance companies have approached the cluster but with little uptake.

There are no contractual engagement between artisans and employers. Most products made at Kamukunji are seasonal based, or depend on irregular orders from brokers and wholesalers. There is no predictability on work flow as this depends entirely on brokers. Work is done piecemeal and when there is an order for products, thus employment is on casual basis and is dependant on the volume of running orders. Even when orders are big and running for a long time, employers prefer to give contracts to artisans based on pieces completed. According to Bob Akumu, the vice chair of the association, paying an artisan on a daily basis is risky for business. To maximize on productivity, experience has shown that it is safer to pay per work performed. ‘’Low Capitals outlays, stiff competition and unpredictable buying patterns deter employers from investing in long term formal labour contracts and adequate stock’’ says the chairman, Mr. Mbiu Eliud.

Monica Oyugi, one of the more successful entrepreneurs in Kamkunji, provides casual employment to 20 artisans. Her tin-boxes and wheelbarrow making business which started in 1987 is well established and has continued flow of orders. She pays her artisans based on the number of boxes completed. At the beginning she contracted the artisans on a daily basis, but the output was low compared to paying artisans per jobs done.

Some artisans, due to lack of loyalty as a result of the piece meal jobs have been known to go work for more established formal employers, but they always come back. Incidentally, the artisans themselves prefer to work on a piece meal basis, believing that they can earn more this way. Wages are way beyond the minimum wage for this sector with average monthly earnings being more than Kes.15000 for her workers. Many workers have been with her for more than five years.
4.7 KONG Security Service

John Mitau believes that well motivated employees are the key to any successful business. “If they feel that they own the enterprise, they will perform to the best of their abilities” Says John. They give their all and consider the employment as part of their own growth journey.

This is no understatement, coming from a man who has employed 350 people, through KONG Security Services, a company that he owns. His journey started in 1993 when serving with the Kenya’s disciplined forces where he founded KONGS Security Services Company. The company remained dormant until the year 2006 when he reactivated it after resigning from the forces. By 2010, KONG Security Services employed more than 200 people and has steadily grown to the current 350 employees. Of these 12 (3%) are women.

KONG Security Services employees are employed on permanent basis, they are provided with letters of appointment on hire. All employees are registered and contribute to both the NSSF and NHIF and are covered under the Work Injury Benefits Act (WIBA.) Each employee gets twenty one days annual leave and a day’s rest every week. John says that salaries are always paid on time.

4.7.1 Benefits of compliance

One of the key attributes that makes it easy for him to acquire new business, is the fact that in all his quotations, he states that KONG Security Services operates under the Kenyan Labour Laws. This attribute according to John contributes most to getting new business. The company absenteeism is at a low 2% and with extremely low employee turnover for the industry. In recent times, seven employees moved on to join the disciplined forces, a good indication that KONG Security Services is a good training ground. My employees own my company that is why there are no supervisor roles at KONG Security. If you believe in the company, made to belong and allowed to contribute to running and improving the business, you will feel as if you own it, says John. The employees established a staff welfare group in 2014, which later joined a bigger Savings and credit cooperative organization named NJIWA. This initiative was spearheaded by an employee with backing and support of John. It was the clearest indication that employees at KONG Security Services are allowed to form worker association that can better improve their welfare. 260 employees, a staggering 74% of the employees are members of the SACCO. In just two years, members have been able to save Kes5.7 million.

Due to the high motivation of employees as occasioned by the adherence to labour laws, there have been very few disciplinary cases. Client’s renewal of contracts stands at about 90%, with those not renewing either diversifying to other businesses that do not require their services.

4.8 Kenya Bus Services

Kenya Bus Services (KBS) remains the first form of Private Public Partnership (PPP) in Public Road Passenger Transport (PRPT). KBS was the sole operator of bus transit till the 1970's when Kenyanization and serious lobbying by the local informal sector (Matatu
Vehicles Owner's Association and Country Bus Owner's Association) sort to cover the gap in public transportation occasioned by the then high Rural-Urban migration.

In 1986, the state introduced Nyayo Bus Service Ltd in contravention of the then existing Franchise Agreement with the then City Council of Nairobi (CCN) where KBS run a public transport facility on behalf of the CNN. In 7 years, the heavily subsidized but inefficient bus company folded up leaving the unsubsidized but efficient KBS in serious competition with a deregulated matatu sector. Failure to regulate and tax Matatus then, was tantamount to subsidizing the sub sector and in effect allowing it to operate without paying its externalities' true cost. According to Edwin Mukabannah, the CEO of KBSM Ltd, “the matatu sector which thrived and continues to thrive on illegalities was and continues to be allowed to operate outside labour legislation while KBS was heavily unionized, stuck to the rule of law and therefore bore all the costs of labour statutes”.

Liberalization of trade in 1991 saw the entry of the second hand 14 seater (Nissan) mini buses into the PSV market. Its dynamism in a demand responsive passenger "free" market left no chance to the scheduled KBS operation. Its flexible fare policy made it difficult for KBS to compete. Meanwhile the free wheeler nature of the industry continues to suffer PSV Operators strikes, congestion, and pollution, high rates of road carnage, corruption, cartels and insecurity.

For a Public Service Transport operator, KBS had unrivalled benefits enjoyed by its employees. Workers were highly unionized, with new employees required to join the union. Employees for the firm had to be literate with conductors education cap set at ordinary level certificate. The workers enjoy an unlimited medical cover, were issued with uniforms and kitted with safety kits. Drivers undergo a safety, firefighting and customer care training on joining. The firm has 17 shop stewards, whose only role is representation of the workers. After its collapse however the firm was faced with a Kes 516 million claim, creditors repossessed the buses but workers remained.

In 2014, KBS changed to become the current Kenya Buses Services Management Limited (KBSM). The new company has a different business model. It runs a franchising business where owners of public service vehicles leverage on the KBSM to run their business. The KBSM franchise offering include: branding, general fleet administration, crew training, licencing facilitation, parking fees management, legal service, washing, accounting and central garage and maintenance support. In return, the vehicle owners pay a service fee equivalent to 12% of the gross revenues. In addition to this, KBSM offers employment services to members, including crew training and HR services.

KBSM now employs 20 members of support staff for the franchising role, has 160 buses under the franchise and a crew of 800 people. All members of staff are registered under the NSSF and NHIF and all are covered under work insurance and benefit Act. A majority of the Crew, support staff and franchises are members of the company run SACCO.

According to Mr. Mukabannah, "Labour laws compliance not only sanitizes the industry, but makes for a good business case, however a level playing field must be in place."