International Labour Organization

ILO brief

ILO Brief

Embracing innovation and inclusion

Strengthening Kenya's beauty sector for host communities and urban refugees[1]

Introduction

Approximately 98,115 registered refugees (plus an unknown number of unregistered refugees) live across Kenya's cities and urban areas.[2] With the majority of development and humanitarian assistance targeting camp-based refugees, which account for the majority of Kenya's refugees and asylum seekers, those living in urban environments commonly face gaps in support for meeting their basic needs and accessing social protection and livelihood opportunities.

As refugee populations are dispersed within cities and often reluctant to come forward out of fear of legal repercussions, data on their profiles and opportunities is relatively scarce. To address this challenge, the ILO carried out a market systems assessment (MSA) based on the Approach to Inclusive Market Systems (AIMS) in which social protection considerations were streamlined. The report's findings, outlined in this brief, shed light on the profiles of urban refugees, the sectors where they work or have potential to find decent livelihood opportunities, the key constraints currently limiting their inclusion and access to social protection, and the possible ways to tackle these.

Service offerings at a refugee-owned salon. May 2024

Refugee profiles

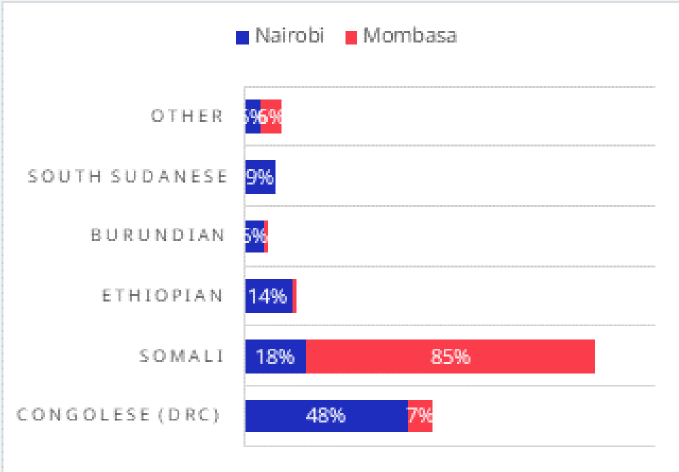
Urban areas host around 15 percent of Kenya's total refugee population, although this figure is likely higher due to an unknown number of unregistered refugees. The majority reside in either Nairobi (89 percent) or Mombasa (7 percent). There are large populations of Somali refugees in both cities, thanks in large part to the large existing communities of Kenyan Somalis. Most other refugees and asylum seekers hail from the Democratic Republic of the Congo and other countries of the Great Lakes Region, as well as Ethiopia, Sudan, and South Sudan.[3]

[1] This brief is authored by Nicholas Hudson

[2] The data and information provided in this section comes from the UNHCR Kenya Operation Statistics as of October 2023 (https://www.unhcr.org/ke/wp-content/uploads/sites/2/2023/11/Kenya-Statistics-Package-31-October-20237.pdf)

[3] Data from: Volume-C-Urban-Refugees-Results-from-the-2020-2021-Urban-Socioeconomic-Survey (2).pdf

Desk and field research indicated that refugees from DR Congo and Great Lakes countries typically possess highly proficient levels of Swahili and similar or shared customs, norms, and traditions with the host communities. As a result, refugees from these countries are better able to establish themselves in Kenya's urban economies. In contrast, those from Somalia and to a lesser extent Ethiopia and Eritrea often do not speak Swahili and share fewer cultural commonalities. Refugees from Somalia therefore integrate tightly into the large existing communities of Somalians and Kenyan Somalis, providing entry points to jobs and support but also keeping them relatively insulated from the broader host community.



Country of origin for registered urban refugees

Exploring the foundations: Kenya's beauty sector

A beauty market in Nairobi, with stalls offering various beauty products and services. May 2024

Kenya is one of Africa's largest growing markets for beauty and personal care products. South Africa and Nigeria lead the market,[4] with other big players including Ethiopia, Ghana, Tanzania, and Cameroon. With Kenya's beauty and personal care services industry booming, numerous growth opportunities have emerged. The sector is valued at KES 20 billion, making it an attractive market for investors, while the demand for high-quality cosmetic and skin care products and services has increased, particularly in urban areas. This trend is driven by a combination of factors, including a significant increase in population, a growing number of people belonging to the middle class, and a highly educated workforce.

The assessment revealed that the sector is largely dominated by **micro, small, and medium enterprises** that rely on waged labour paid on commission, and compete mainly on price while offering specialised services. Both men and women participate across the sector, though women were found to account for the majority. Throughout the industry there is a shared consensus among clients and workers that refugees from the Great Lakes countries, particularly Congo, Rwanda, and Burundi, possess a reputation as knowledgeable and highly skilled beauticians, giving them a comparative advantage in the sector.

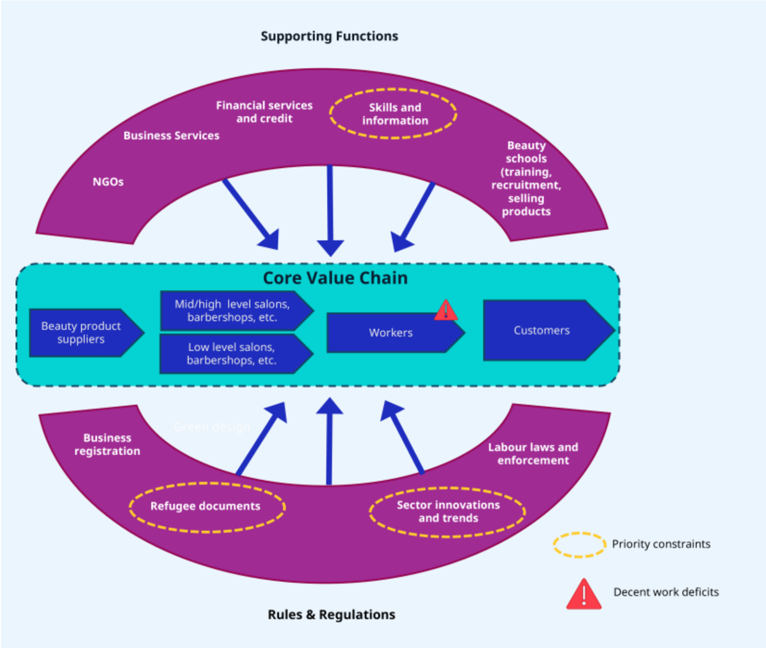
The core value chain for beauty and personal care includes the following two main segments: beauty products and beauty services.

[4] Beauty Africa. Demand For Cosmetics Grows In Africa accessed at https://beauty-africa.com/post/demand-for-cosmetics-grows-in-africa.

For the target group of this assessment, namely refugees in the two cities, the provision of beauty and personal care services are the most relevant sections of the value chain.

Nevertheless, there are **strong interlinkages between the different actors in the sector**. For instance, beauty product suppliers will regularly visit beauty schools and salons to recruit workers for sales positions and to sell or demonstrate their products.

For the majority of refugees who do not have a Class M work permit, they are **employed informally** and **paid on a commission basis** in small salons, primarily concentrated in lower-income areas. The commission-based wages result in the perception that workers are "self-employed" and therefore responsible for their own social protection coverage.



The beauty and personal care market system and key constraints in Nairobi and Mombasa

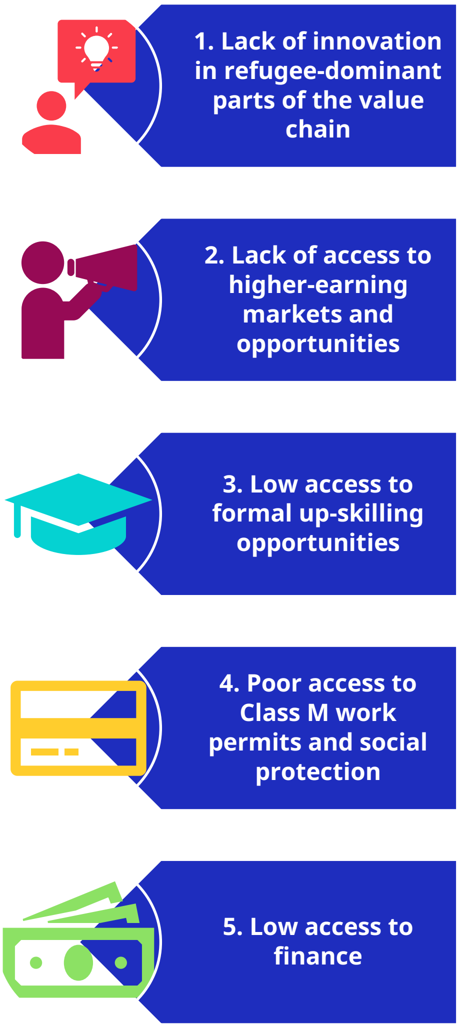
Smaller scale salons may be owned by either refugees themselves or Kenyans. There is typically no shortage of workers with adequate skills for these salons, with recruitment done through word of mouth, social media, or workers going door-to-door in search of work. For most workers met, self-employment and owning their own salon was their ultimate goal, as it was seen as offering more freedom and less of a ceiling for growth.

While skills are a critical component of the sector, many refugees cannot afford to self-fund the tuition to attend established beauty schools. Instead, most rely on skills obtained **in their country of origin** or **through informal apprenticeships**, for example learning the skills of the trade from the salon owner while first being employed as a cleaner. For higher income salons, there is a greater need to be able to possess a recognized certificate or diploma to demonstrate their skills and experience.

Behind the gloss: Key constraints in Kenya's beauty industry

While the beauty sector is booming in Kenya, this has also led to an explosion in the number of salons, barbershops, and small shops **all offering similar products and services**. This is especially true in lower income neighbourhoods, where streets or buildings are often lined with identical businesses. Instead of investing in innovations, for instance offering new designs or products and services in line with trends in the industry, respondents during research noted customer service as their primary way to differentiate their businesses from the competition.

This creates an environment where refugees and host communities **struggle to stand out and grow their businesses**. Root causes limiting refugee workers and salon owners from integrating more innovative offerings into their business range from lack of business skills, insufficient awareness and knowledge of innovations, and poor access to capital. In addition, many refugee entrepreneurs in the beauty and personal care sector are **concentrated in low-income market segments**. This heavy competition with near identical businesses for limited demand further constrains their earnings, underscoring the need to connect them to higher-value market segments.



Possessing some form **of formally recognized certificate or diploma** is seen as immensely advantageous for getting a better paid job at high-end salons in the sector. This owes to a variety of reasons. For instance, high performing beauty program students benefit from the **relationships between schools and employers** when it comes time to find a job.

Additionally, workers who successfully completed a certificate or diploma program are regarded as **easier to develop with new skills** and techniques later on thanks to the foundation of education they received in the beauty program. However, it was also noted during research that learning from hands-on experience in the salon is more beneficial than in a school setting to truly excel at the craft.

However, refugees are **largely unable to access these skills programs** due to a number of reasons, including the enrolment costs, opportunity costs, transport costs to and from the institution, and lack of registration documents.

Only an **extreme minority of refugees possess a Class M work permit**, the permit type issued to a person who has been granted refugee status in Kenya. Because of this, most refugees must rely on informal work and precarious situations and fear of any extra scrutiny from government and other institutions. As such, employment is rare in higher income salons where innovation is well integrated into the offerings. This is because of the complicated and lengthy process of applying for the permit and challenges obtaining certain requirements, for instance letters from sponsoring employers and from the Department of Refugee Affairs.

Access to social protection is also limited for refugees, who are not entitled to access non-contributory schemes. Those covered by the National Health Insurance Fund were largely enrolled by UNHCR, with few having registered on their own, largely due to limited capacity to contribute and lack of knowledge of the procedures to doing so. There is limited propensity to contribute to the Haba Haba pension scheme among both workers and employers because of the perceived “temporary” status of refugees, the lack of access to MPesa through which contributions are paid, and the preference to invest savings directly in their businesses in the immediate term.

Finally, refugees’ lack of documents also contributes to the challenge of **low access to finance and capital**. Although refugees with the Refugee ID are permitted to open a bank account in Kenya, many banks still do not recognize the documents and refugees may struggle to fulfil the remaining requirements. Similar challenges prevent refugees from obtaining SIM cards which would grant access to the mobile payment system M-Pesa. Many have SIM cards and even bank accounts opened under the name of a Kenyan acquaintance, though this comes with separate challenges and insecurity.

Prospects and opportunities

The table below outlines potential interventions to address the root causes of the key constraints. They are based on the Approach to Inclusive Market Systems (AIMS) which utilizes a push and pull strategy. **Push interventions** are designed to empower the target group by enhancing their capacity to participate in the market, whereas **pull interventions** aim at developing the market systems to create, broaden and diversify economic opportunities for both the target group and the host community. Opportunities to streamline social protection coverage extension activities in these interventions are also highlighted.

No.	Push	Pull
1	**Digital Integration and Market Access**	
	Enable refugee workers and salon owners to **access training, inputs, and financial services offered through digital platforms**, enhancing their capacity to upgrade and compete in higher-value market segments. **Digital Integration** through the provision of ILO's Digitalize Your Business (DYB) program that integrates a social protection module, to help salons stand out from the competition.	Leverage **digital beauty sector platforms** to connect refugee and marginalized host community service providers to broader and higher-spending clientele, diversifying demand, reducing dependency on saturated low-income markets, and helping to stay on the pulse of industry trends.
2	**Advocacy and Networking**	
	Organize networking events and industry forums where refugee workers can meet and interact with owners and workers from innovative and higher earning salons.	**Advocate and support in the implementation of the Refugee Act of 2021** to streamline and clarify the work permit application process for refugees and avail of their right to health, including through access to social health insurance.

International Labour Organization
Route des Morillons 4
CH-1211 Geneva 22
Switzerland

T: +41 22 799 7239
E: hudsonn@ilo.org

DOI: https://doi.org/10.54394/DXIJ6840