

# Kenya: Gender Inequality and National Wealth

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A country's wealth mainly consists of three types of capital: (1) Produced capital comes from investments in assets such as factories, equipment, or infrastructure; (2) Natural capital consists of assets such as agricultural land and both renewable and nonrenewable natural resources; (3) Human capital is measured as the present value of the future earnings of the labor force. Also included in national wealth are net foreign assets, a much smaller yet possibly negative component of wealth. By far the largest component of most countries' wealth is human capital or people. In Kenya, human capital wealth accounts for two thirds of national wealth. However, substantial human capital wealth is lost due to gender inequality in earnings, with gender inequality also affecting levels of wealth per capita. This brief provides estimates of gender inequality in human capital wealth in Kenya.

### National wealth has increased over time, including in per capita terms

Estimates of the changing wealth of nations are produced every few years by the World Bank. Apart from produced and natural capital, the last two editions of the report include estimates of human capital wealth defined as the present value of the future earnings of the current labor force (Lange et al., 2018; World Bank, 2021). Table 1 provides estimates of Kenya's wealth from 2010 to 2018 based on the latest data release. National wealth stood at \$1,133 billion in 2018. This represented an increase in real terms of 54.7 percent versus 2010 (average cumulative annual growth rate of 5.6 percent per year). Human capital wealth stood at \$784 billion, an increase of 71.7 percent since 2010. It accounted for 69.2 percent of national wealth. Produced capital reached \$183 billion in 2018, with a substantial increase over the decade,



**Background:** This brief is part of a series on teacher well-being and practices in Kenya. The work was conducted in part as a contribution to (i) the KIX Africa 19 Hub program of which Kenya is part, and (ii) a program of work at UNESCO IICBA on mental health and psychosocial support for teachers and university lecturers in Africa (that broader work program benefits from funding from UNESCO's O3 – Our Rights, Our Lives, Our Future).

**Key findings:** Using data from the World Bank on the changing wealth of nations, this brief provides estimates of gender inequality in human capital wealth as the largest component of Kenya's national wealth.

- A country's wealth is the assets base that enables it to produce future income (GDP). It mainly consists of produced capital, natural capital, and human capital wealth defined as the present value of the future earnings of the labor force.
- In Kenya as in most other countries, human capital wealth is the largest component of national wealth, accounting for two thirds of national wealth in 2018.
- National wealth increased substantially since 2010, but gains in per capita wealth were smaller due to population growth. Per capita wealth increased from \$17,438 in 2010 to \$22,055 in 2018 in constant US dollars.
- Gender inequality reduces women's expected earnings and therefore their human capital wealth. In Kenya, women's human capital wealth is at only two thirds of the value for men. Said differently, while women account for about half of the adult population, they account for less than two fifth of human capital wealth.
- Gender inequality also contributes to a lack of educational attainment for girls and a high prevalence of child marriage and early childbearing. This leads to high fertility rates and high population growth, reducing per capita national wealth and delaying Kenya's ability to reap the full benefits of the demographic dividend.

accounting for one sixth of national wealth. Natural capital was at \$186 billion in 2018, also accounting for a sixth of national wealth, but with a smaller increase over time. Net foreign assets represent a much smaller (negative) share of national wealth.

**Table 1: Estimates of Kenya's National Wealth, 2010-2018 (million US\$)**

Millions, constant 2018 US\$	2010 (1)	2015	2018 (2)	% change [(2)-(1)]/(1)
<b>National wealth</b>	732,914	983,156	1,133,467	54.7%
Produced capital	115,880	156,762	183,277	58.2%
Human capital	456,771	655,437	784,245	71.7%
Natural capital	165,403	182,157	185,950	12.4%
Renewable	165,150	181,770	185,910	12.6%
Non-renewables	253	387	40	-84.2%
Net foreign assets	-5,139	-11,200	-20,005	289.3%
Population (millions)	42.0	47.9	51.4	22.3%
<b>Shares of national wealth</b>				
Produced capital	15.8%	15.9%	16.2%	-
Human capital	62.3%	66.7%	69.2%	-
Natural capital	22.6%	18.5%	16.4%	-
Net foreign assets	-0.7%	-1.1%	-1.8%	-

Source: Based on data for World Bank (2021).

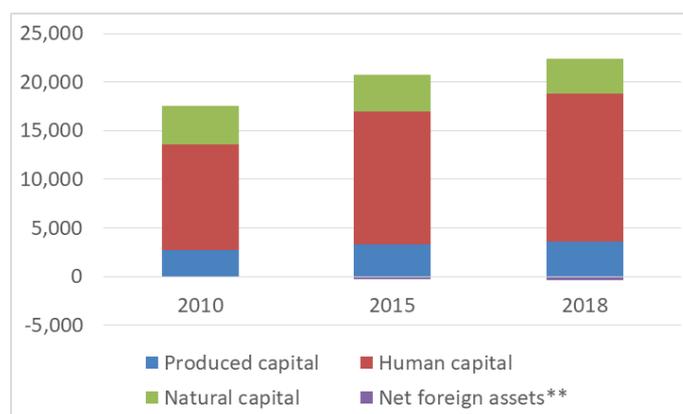
Table 2 provide estimates in per capita terms. As national wealth increased in absolute terms faster than population growth since 2010, per capita wealth increased from \$17,438 in 2010 to \$22,055 in 2018. This represents a gain of 26.5 percent versus the baseline value in 2010 (Figure 1), which is large. Note that the period from 2010 to 2018 was a time of growth in GDP per capita, with GDP per capita substantially higher in 2018 than in 2010 in US dollars according to data from the World Bank's World Development Indicators. Human capital wealth per capita increased from \$10,868 in 2010 to \$15,260 in 2018 and this was the category of wealth that increased the most over the period. The economic impact of the COVID-19 pandemic may have led to losses in human capital wealth since 2018, but estimates are not yet available. As will be discussed below, gender inequality contributes to higher rates of population growth, but those rates have declined over time and are now at 1.9 percent per year. High rates of population growth can make it harder for countries to generate gains in per capita wealth, as well as in GDP per capita.

**Table 2: Estimates of Kenya's Per Capita Wealth, 2010-2018 (US\$)**

Constant 2018 US\$	2010 (1)	2015	2018 (2)	% change [(2)-(1)]/(1)
<b>Per capita wealth</b>	17,438	20,534	22,055	26.5%
Produced capital	2,757	3,274	3,566	29.3%
Human capital	10,868	13,690	15,260	40.4%
Natural capital	3,935	3,805	3,618	-8.1%
Renewable	3,929	3,796	3,617	-7.9%
Non-renewables	6	8	1	-87.1%
Net foreign assets	-122	-234	-389	218.3%

Source: Authors' estimation.

**Figure 1: Per Capita Wealth (US\$)**



Source: Based on data for World Bank (2021).

## Gender inequality affects national and per capita wealth negatively

As gender inequality reduces women's expected earnings, it also reduces human capital wealth (see Wodon and de la Brière, 2018, and Wodon et al., 2020 for tentative estimates of the cost of gender inequality globally). Table 3 reproduces data for 2018 from the previous Tables and adds estimates of human capital wealth by gender (the methodology for measuring human capital wealth entails estimating future earnings for men and women).

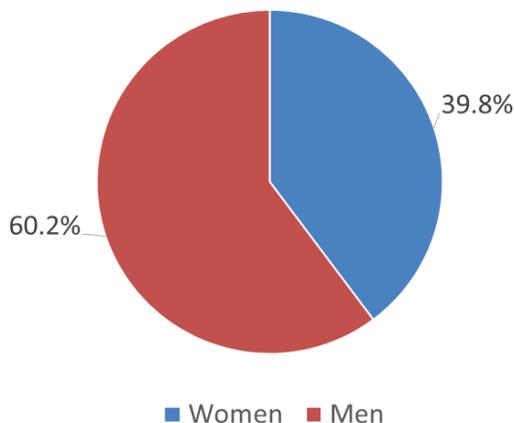
The estimates suggest that human capital wealth for women was at 66.0 percent of the value for men in 2018 (US\$312 billion versus US\$472 billion for men). In other words, women are expected to earn only two thirds of what men are expected to earn in the rest of their working life (for alternative estimates of the gender gap in earnings as well as other types of gender gaps, see World Economic Forum, 2022). Said differently, while women account for about half of the adult population, they account for less than 40 percent of human capital wealth (Figure 2). If women were able to earn as much as men, human capital wealth would increase substantially, which would lead to an increase in national wealth (estimating what the actual gains might be is complex if general equilibrium effects are accounted for).

**Table 3: Estimates of Gender Inequality in Human Capital Wealth, 2018**

	Total wealth (US\$ millions)	Wealth per capita (US\$)
Total wealth	1,133,467	22,055
Produced capital	183,277	3,566
Human capital	784,245	15,260
Men (1)	472,195	9,188
Women (2)	312,050	6,072
Difference (1)-(2)	160,145	3,116
Women's share (2)/[(1)+(2)]	39.8%	39.8%
Natural capital	185,950	3,618
Net foreign assets	-20,005	-389

Source: Based on data for World Bank (2021).

**Figure 2: Shares of Human Capital Wealth**



Source: Based on data for World Bank (2021).

Another aspect of gender inequality that may affect Kenya's development is the fact that limited educational attainment for girls and a substantial prevalence of child marriage and early childbearing contribute to high fertility rates, which in turn contribute to high annual rates of population growth, although as mentioned earlier those rates have declined over time. Experiences across countries suggest that universal secondary education for girls, which could virtually eliminate child marriages, could lead to a substantial reduction in fertility rates. Over time, this would reduce the annual rate of population growth further. Through lower fertility rates and a lower rate of population growth, reducing gender inequality would contribute to higher levels of wealth per capita over time. In addition, as discussed in other briefs in this series, lower fertility rates and other benefits from higher educational attainment for girls would also facilitate the emergence in Kenya of a demographic dividend that could further raise standards of living.

## Takeaways

According to World Bank data, human capital wealth, defined as the present value of the future earnings of today's labor force, accounts for more than two thirds of Kenya's national wealth. From 2010 to 2018, national wealth increased in absolute terms, and so did per capita wealth despite population growth. Unfortunately, gender inequality reduces women's expected earnings and therefore their human capital wealth. Women's human capital wealth stood at only two thirds of the corresponding value for men. If gender inequality in earnings were reduced, human capital wealth could increase substantially. In addition, gender inequality

contributes to a lack of educational attainment for girls and a substantial prevalence of child marriage and early childbearing. This in turn leads to high fertility rates and high rates of population growth, which in turn may limit gains in per capita national wealth and may delay Kenya's ability to reap the full benefits of the demographic dividend.

This brief does not focus on strategies to expand employment and earnings opportunities for women in Kenya, but the literature suggests a range of options, including (1) reducing the time spent by women in unpaid work and redistributing care responsibilities to increase the time they may be able to allocate in the labor market; (2) giving women more access to and control of productive assets, including land and credit; and (3) addressing market and institutional failures, including reforming laws and regulatory frameworks that constrain women's economic activities.

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### Disclaimer & Acknowledgment

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