“Family and Economics”

Presentation by

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VISION FOR KENYA TO GUIDE NATIONAL DEVELOPMENT, WHICH WAS LAUNCHED IN JUNE 2008

Overarching vision
A globally competitive and prosperous nation with a high quality of life by 2030

**Economic pillar**
To maintain a sustained economic growth of 10% p.a. over the next 25 years

**Social pillar**
A just and cohesive society enjoying equitable social development in a clean and secure environment

**Political pillar**
An issue-based, people-centered, result-oriented, and accountable democratic political system
The Family

- Family: all persons residing in the same dwelling and are related by blood, marriage or adoption*

- Household: a group of persons residing in the same compound, answerable to the same head and pooling and sharing resources for common provisions.

- Variations in household size: Kenya 5.1 Urban 4.0 Rural 5.5

- Male headed households 70% : female headed households 30%

- Life cycle considerations

*Chen and Dunn, 1996; Modigliani & Jappelli, 2003
Economic Perspectives of Families

- Families earn **INCOME**
- Families spend money on **CONSUMPTION**
- Families pay **TAXES**
- Families **SAVE**
- Families **INVEST**
- Families **BORROW**
- Families **RECEIVE** and **PROVIDE SUPPORT**
Family: LIFE STYLES

✓ Bachelor Stage: Household Head < 40 yrs
✓ Young Married: No Kids, Household Head < 40 yrs
✓ Young Full nest: Household Head > 40 yrs, 1 Kid
✓ Empty Nest Employed: Household Head > 40 yrs no Kids
✓ Older Empty nest: One of the Couple retired
Family LIFE STYLES CONTINUED

- Young Adult: 18-25 Yrs
- Family Formation: 26-35 Yrs
- Family Development: 26-49 Yrs
- Family Maturity: 50-60 Yrs
- Retirement: Above 60 Yrs
SOURCES OF INCOME FOR FAMILIES
(Recorded Employment Total 11,472,100)

- Modern establishment: 2,128,000 (18%)
- Self employed and unpaid family workers: 75,400 (1%)
- Informal sector (excludes small scale farming of pastoral activities): 9,300,000 (81%)
Annual Inflation rate in Kenya

<table>
<thead>
<tr>
<th>Year</th>
<th>Inflation Rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>5.6</td>
</tr>
<tr>
<td>2008</td>
<td>17.8</td>
</tr>
<tr>
<td>2009</td>
<td>8</td>
</tr>
<tr>
<td>2010</td>
<td>4.5</td>
</tr>
<tr>
<td>2011</td>
<td>18.9</td>
</tr>
<tr>
<td>2012</td>
<td>8</td>
</tr>
</tbody>
</table>

DEPRECIATION OF THE SHILLING
NEGATIVE REAL INTEREST RATES

Real interest rates on deposits

2006 2007 2008 2009 2010 2011 2012 2013

-3.9 -6.3 -3 -8 -6 -4 -2 0

-16.1 -17.3 -18
## WHAT DO FAMILIES SPEND MONEY ON?

**“THE INFLATION BASKET”**

<table>
<thead>
<tr>
<th>Category</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food and non alcoholic beverages</td>
<td>36%</td>
</tr>
<tr>
<td>Alcoholic beverages, tobacco &amp; narcotics</td>
<td>2%</td>
</tr>
<tr>
<td>Clothing and footwear</td>
<td>7%</td>
</tr>
<tr>
<td>Housing, water, electricity, gas and fuels</td>
<td>18%</td>
</tr>
<tr>
<td>Furnishings, household equipment &amp; maintenance</td>
<td>6%</td>
</tr>
<tr>
<td>Health</td>
<td>3%</td>
</tr>
<tr>
<td>Transport</td>
<td>9%</td>
</tr>
<tr>
<td>Communication</td>
<td>4%</td>
</tr>
<tr>
<td>Recreation and culture</td>
<td>2%</td>
</tr>
<tr>
<td>Education</td>
<td>3%</td>
</tr>
<tr>
<td>Restaurant and hotels</td>
<td>5%</td>
</tr>
<tr>
<td>Miscellaneous goods and services</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
Family Wealth Creation Challenge-10%

- A study in the US showed that only 10% of households invest for wealth creation!*

- Financial management is a continuum,
  - 75% of the households practiced cash-flow management;
  - 58% carried out credit management;
  - 50% were additionally able to save,
  - 46% were able to make investments for wealth creation

*Hilgert and Hogarth (2003) who examined Survey of Consumer Finances (SCF) data in USA to explore the connection between financial knowledge and household behaviour
THE FUTURE PRESENTS SIGNIFICANT CHALLENGES: DEMOGRAPHICS AND POPULATION PROJECTIONS, 1999-2030
Development and Family Occupation

High Income Country

Low Income Country

Distant Past Present Time

Traditional Society - Hunting and honey gatherers

Agrarian Society:

1. Nomadic Pastoralism
2. Settled Subsistence Agriculture

Industrial Age

Information Age
Vision 2030 Provides the Strategy

-Kenya aspires to be a globally competitive, prosperous country;

-Rapidly industrialising;

-Middle income country;

-In 2012 Kenya GNI $840

76 High Income Countries GNI >$12,615

54 Upper Middle Income Countries GNI $4,086 to $12,615

53 Lower Middle Income Countries GNI $1,036 to $4,085

36 Low Income Countries GNI <$1,036
SOCIAL PILLAR: FOCUSES ON SEVEN SECTORS

1.1. Education- (Access, Quality, Equity, Relevance, Capacity)

1.2. Health: (Access, Equity, Quality, Capacity, Institutional framework)

1.3. Water & Sanitation: (Resource mgmt, Storage/harvesting, supply, Sanitation, irrigation and drainage)

1.4. Environment:

1.5. Gender, Culture, Sports & Social Services

1.6. Youth

1.7. Housing & urbanisation

Science, Technology & Innovation Equity
Many people reach retirement with no adequate savings.

Official retirement age is 60 years.

Income needed to support some lifestyle while in retirement is 70% - 100% of pre-retirement: why?
- Health
- Inflation
- Longer lives
- Dependency

Four legged stool of retirement funding:
- State social security (NSSF)
- Employer pensions
- Private savings
- Earnings from personal investments

Social Protection Fund to enhance productivity, competence and skills for the poor to participate in the labour market:
- Direct cash transfers for those over 60 years
- Cash transfers for orphans and vulnerable children
END
THANK YOU

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