POLICY BRIEF

KENYA'S INEQUALITY CRISIS: THE GREAT ECONOMIC DIVIDE

NOVEMBER 2025

OXFAM

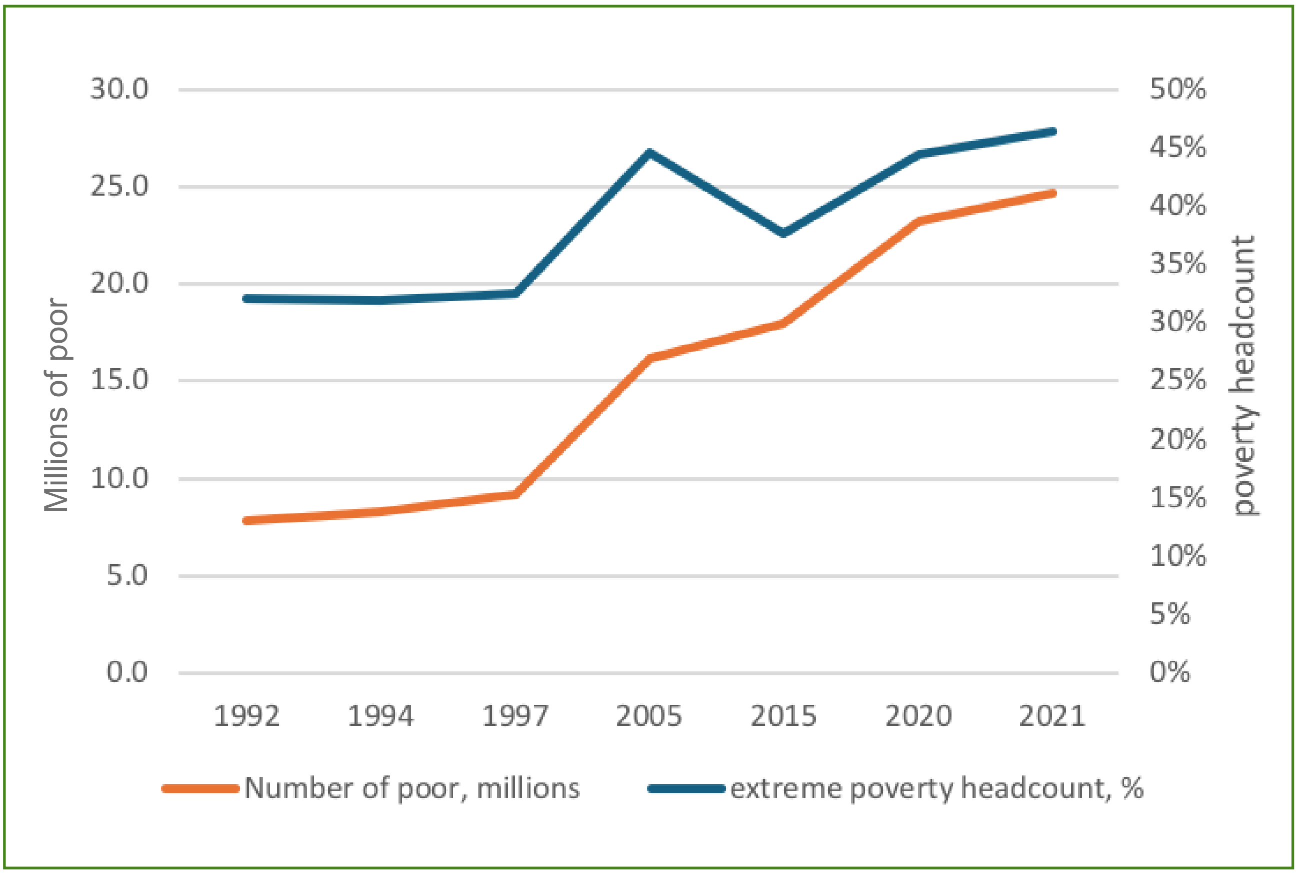
INTRODUCTION

GROWING INEQUALITY BETWEEN THE RICHEST AND THE REST

Kenya has the 15th highest extreme poverty rate in the world at 46%.[1] Since 2015, an additional seven million Kenyans have fallen into extreme poverty, an increase of 37%. However, this rising poverty has been accompanied by impressive economic growth. Over the past decade (excluding 2020), the economy has expanded by an average of 5% per year in real terms. The richest 125 Kenyans hold more wealth than 77% of the population, equivalent to 42.6 million people. This clearly shows that without redistribution; growth alone will continue to enrich the richest while deepening poverty for the majority.

The protests over the Finance Bill in 2024 showed that continuing this path risks undoing the social contract between the state and citizens and is no longer sustainable. Progressive taxation, investment in essential universal public services like education and healthcare, quality jobs and land justice could make Kenya a more equal and fair country.

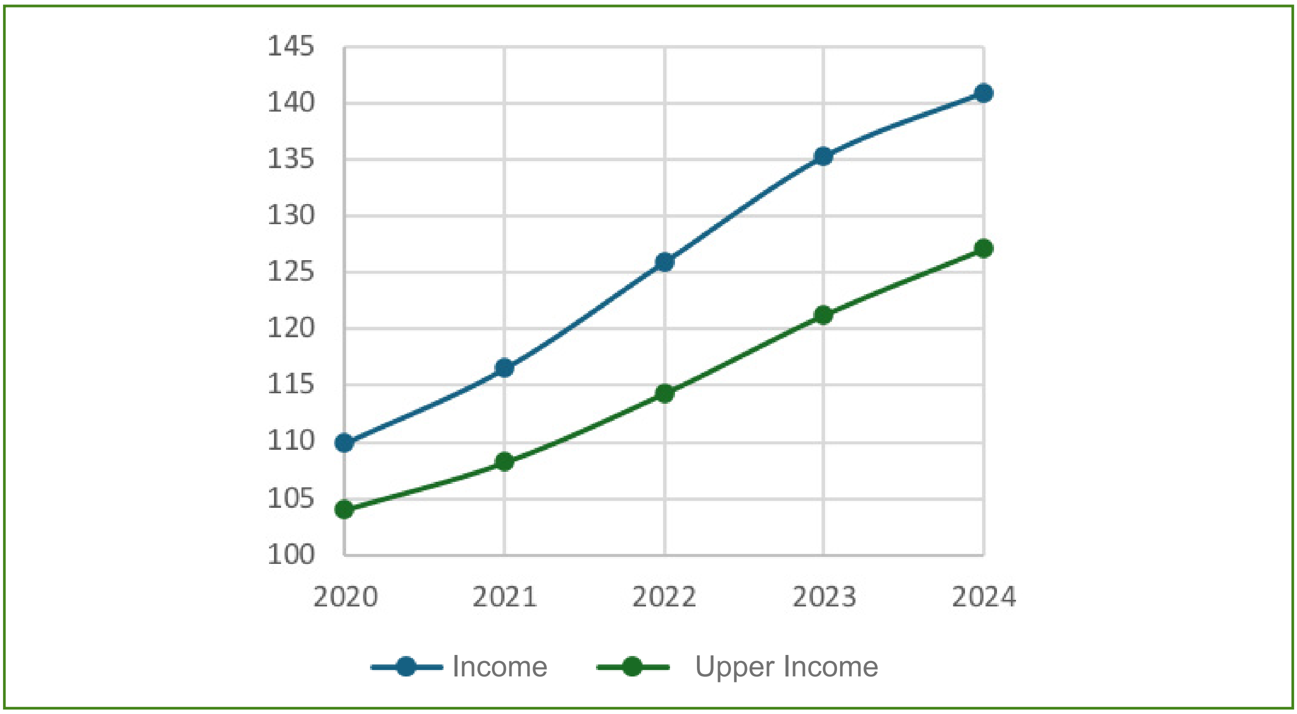
Figure A: Extreme poverty as proportion (%) and number (millions), 1992–2021



Source: World Bank. (2024). *Poverty and Inequality Platform* (version 20240627_2017_01_02_PROD). [Data set]. https://pip.worldbank.org/.

Food insecurity has also risen sharply over the past decade. The number of Kenyans facing severe and moderate food insecurity rose by 17 million between 2014 and 2024, an increase of 71%. The cost of food is 50% higher than it was in 2020. Those with the least money are hit harder. In Nairobi, the inflation rate for low-income earners was 27% higher than that of upper-income earners in 2020–24, as shown in **Figure B**.

Figure B: Inflation rate in Nairobi by income, 2019 = 100



Source: Author's calculations based on KNBS 2025 Economic Survey.

Women in all their diversity are also the most affected by Kenya's widening inequality, especially those living in poverty or in rural areas, and arid and semi-arid lands (ASALs). Consequently:

- Asset ownership in male-headed households is three times greater than in female headed households.
- For every KES 100 that a man earns, a woman earns KES 65.
- Women are five times more likely to be undertaking unpaid work than men.
- A woman from a household in the poorest 20% has a one in two chance of being unemployed, compared to one in five for a man in the richest 20%.
- Only 13% of women have legal ownership of agricultural land; this falls to just 4% for the poorest 20% of households, compared to 33% for the richest 20%.

GROWING INEQUALITY IN PUBLIC SERVICES

EDUCATION

The education sector is facing a funding crisis that is impacting low-income families. The children of the richest families receive expensive and high-quality education from private providers, while children from the poorest 20% of households receive almost five fewer years of schooling than those from the richest 20%. When adjusted for inflation, the amount of money per pupil that the government spends on primary schools is equivalent to just 18% of what it was worth in 2003. A new higher education funding model is making higher education unaffordable to students from poor families, while the transition to competency-based curriculum has faced several implementation challenges for learners in public schools.

HEALTH

Chronic underfunding and fragmentation in the public healthcare system are reinforcing limited and uneven access, impoverishing millions and contributing to avoidable deaths and illnesses. In contrast, the richest rely on private healthcare, and many have private insurance coverage, although often this fails to cover everything resulting to out of pocket spending.

Kenya introduced a new compulsory contributory Social Health Insurance Fund (SHIF) in 2024, but for many, and especially the poorest, this is not affordable, and it will take many years to reach universal coverage. Due to the scale of the informal sector, the number of people making active contributions is only 4 million. Private health providers benefit the most from this contributory health insurance; in 2022, only 20% of National Health Insurance money went to public health facilities.

Systemic challenges undermine SHIF's effectiveness which make it unjustifiable to continue allocating additional budgetary resources to the SHIF without implementing comprehensive structural reforms in the public healthcare system.

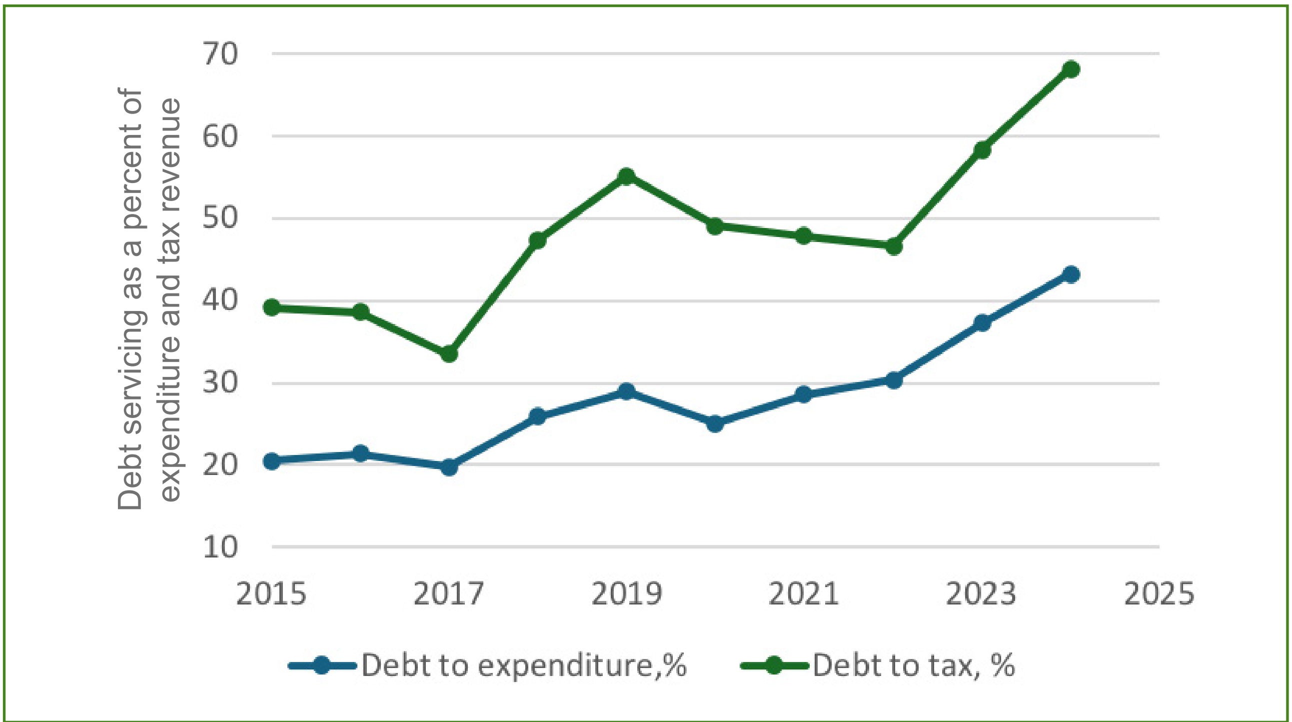
SOCIAL PROTECTION

While the SDGs bind Kenya to make social protection universal by 2030, only 9% of Kenyans are covered by at least one form of social protection. Among the poorest, only a fifth receive social assistance. *Inua Jamii*, which now reaches about 1.9 million people, is the biggest state-funded social assistance programme. While it has expanded over the last decade, the amount per beneficiary has not changed, while inflation has skyrocketed. With extreme poverty at nearly half of the population, the coverage is dismally low.

DEBT SERVICING CROWDING OUT SOCIAL SPENDING

In 2024, out of every 100 shillings collected in taxes, 68 shillings were used to repay debt. This is double the amount in 2017. Debt repayment is twice the education budget and nearly 15 times the national health budget.

Figure C: Debt servicing compared to tax revenue and total expenditure (%)



Source: KNBS Economic Surveys (Various). https://www.knbs.or.ke/economic-surveys/

TAX FALLS DISPROPORTIONATELY ON LOW-INCOME EARNERS AND PEOPLE LIVING IN POVERTY

While taxation has a positive impact on inequality in Kenya, reducing the Gini coefficient - which measures economic inequality - by 9%, it could be more effective. Over-reliance on regressive VAT/sales taxes means that people who spend nearly all their income on basic items are paying more in taxes as a share of their income than their wealthier counterparts. Recent tax changes and payroll levies fall disproportionately on low paid workers in the formal sector, eroding their purchasing power. Meanwhile, the richest generally benefit much more from wealth ownership and capital income, both of which are severely undertaxed and subject to low enforcement.

WIDENING INEQUALITY IN THE JOB MARKET

The Kenyan job market is a key contributor to the economic inequality because of extreme informality (85%), wide pay and gender gaps and declining wages. The likelihood of securing well-paying jobs is highly dependent on family backgrounds. Women are disproportionately contracted in low paid jobs in the informal sector, and they face barriers in entry to the paid labour force due to unpaid care workload and social norms. Women's total labour income share is just 62% that of men, and they account for 38% of formal workers, in large part due to unpaid care workloads and social norms.

LAND INEQUALITY

Land is the most important source of wealth in Kenya, particularly for small-scale farmers and pastoralists. However, the most productive land is in the hands of a few, while those who need it the most are congested in small pieces or are landless. While land reform was the most pressing issue for Kenyans for independence, those in power reconsolidated the structures of privilege and inequality after independence. Consequently, land inequality has been worsening over time. In Nairobi, virtually all land belongs to a handful of rich individuals.

PERSISTENCE OF COLONIAL LEGACY

Kenya's present realities are deeply rooted in the unfinished work of dismantling colonial power structures. Independence in the 1960s did not usher in a truly emancipatory vision for the majority. Instead, political and economic systems designed to privilege a few were repurposed by the local elite, who seized vast resources once controlled by white settlers. This elite capture entrenched extractive governance, corruption, and patriarchal cronyism - structures that continue to marginalize women, Indigenous communities, and those historically excluded from decision-making spaces. Its legacy is seen in regional disparities between areas deemed productive and those neglected, where poverty is highly concentrated today.

Today, neo-colonial systems of domination reproduce these injustices. The dominance of the IMF in shaping the country's economic policy, exploitative practices, including on trade and tax avoidance by Multinational Corporations, and the dominance of debtor interest in the global financial architecture continue to shape inequality in Kenya, in addition to elite capture.

POLICY SOLUTIONS

Economic inequality has catastrophic consequences for everyone. As well as undermining poverty reduction, it hampers growth, job creation, democracy and mobility, while worsening corruption and social ills such as crime.

The Government of Kenya needs to develop timebound targets to reduce economic inequality that can be easily tracked. For instance, it should aim to reduce the Gini of income to below 0.3 and a Palma ratio, i.e. income of the richest 10% divided by the poorest 40%, to no greater than 1. To achieve this, and reduce other forms of inequality, we propose the following recommendations.

PUBLIC SERVICES

Improved delivery of public services starts with the need for political will. The government needs to commit to guaranteeing inequality-bursting public services such as healthcare, education and care services; deliver universal, rights-based social protection, including for those working in the informal economy, for all residents of Kenya. This includes universal, fee-free education from pre-primary to secondary, universal health coverage and Universal Social protection in line with SDG commitments. In so doing, it should also commit to supporting the poor and marginalised with extra help to redress disadvantage.

At the same time, it is critical for the government to commit to delivering more equality. It should introduce a structured review to assess inequality in terms of income, gender, region, disability and other bases of exclusion. It should also introduce costed national plans for these sectors that focus coherently and comprehensively on identifying and addressing pre-existing inequalities, producing data on gaps and needs, and developing appropriate strategies.

On spending, the government should:

- **Raise the education budget to at least 20% of government expenditure.** Capitation per student should be increased every year in line with inflation.
- **Increase the health budget to 15% of total government expenditure as a minimum.** Health financing policies should also be aligned to progressively achieve UHC, focusing on population-wide access to quality essential health services without financial hardship.
- **Transition away from SHIF.** The 15% health budget allocation should be redirected towards enhancing public hospitals and primary healthcare services, funded through general taxation rather than reliance on insurance premiums or reimbursement mechanisms.
- **Raise the budget for the State Department for Social Protection and Senior Citizen Affairs to 1% of GDP.** The *Inua Jamii* benefit per beneficiary should be increased to KES 3,900 per month, which is equivalent to the extreme poverty line.
- **Enhance equity.** This means implementing equitable budget distribution formulas that allocate more resources to regions and facilities with higher needs.

TAXATION

- **Restructuring personal income tax (PIT) bands to lessen the tax burden on low paid workers.** The rate of the first level should be reduced from 25%, and the top marginal rate for the highest-paid earners should be increased.
- **Revise the capital gains tax to match personal income tax rates.** The top rate of capital gains tax should be a similar rate to the top marginal personal income tax rate.
- **Collect more tax from property.** Immediate reforms should include reverting to the previous rental income tax of 10%; low-value properties should be exempt.
- **Take measures to make value added/sales taxes less regressive.** One method would be to increase the threshold for turnover tax from the current KES 1m to KES 5m (i.e., the same as the VAT registration threshold) to cushion small businesses, and exempt all essential basic goods, such as food and sanitary products.

- **Introduce a progressive tax on inheritance at a rate that targets Kenya's wealthiest families.** The threshold could be set at KES 12.2m – the minimum wealth needed to be in the richest 1% as of 2023.
- **Create a net wealth tax for ultra-high-net-worth individuals.** Even a tax rate of 5% on Kenya's dollar millionaires could generate nearly 3% of GDP in tax revenue.
- **Eliminate all corporate tax exemptions.** All companies operating in Kenya should be treated the same with regards to tax. This will also avoid a situation where the richest move their companies to special economic zones to avoid paying taxes.
- **Establish a dedicated ultra-high-net-worth tax unit within the Kenyan Revenue Authority.** This would strengthen the enforcement of tax obligations on this group of the population that, in particular, has the means to avoid and/or evade paying taxes.

FIX THE JOB MARKET

- **Reintroduce and expand public works to absorb many of Kenya's unemployed youth.** While the government in mid-2025 revived the *Kazi Mtaani* initiative as a short-term approach to tackle unemployment, it could be enhanced by increasing the number of young people involved.
- **Create an enabling environment for small and medium-sized businesses to create jobs and formalize.** Business registration requirements need to be streamlined and made affordable for all.
- **The state should support training and retraining courses.** In a fast-changing job market, workers need constant retraining to be more productive.
- **Regulation and enforcement to close the pay and gender gaps.** Every corporation should ensure that the CEO receives no more than 20 times the median pay of their employees, and that men and women receive the same pay for work of equal value. Companies should be mandated to publish data on their gender pay gap. Paid maternal leave should be increased from the current three months to 26 weeks per International Labour Organization recommendations, among other measures.
- **Use labour laws to protect all workers from harm.** Ensure that every worker – not just those in formal employment – are protected from exploitation, injury and unfair dismissal in their workplace.

PUBLIC DEBT AND INTERNATIONAL SUPPORT

- **Tackling the debt crisis.** The international community should provide debt restructuring, forgiveness and a fair credit rating system. Only by clearing up the existing debt will developing countries like Kenya be able to spend their budgets effectively on supporting their people.
- **The Government must borrow responsibly.** This requires oversight from the parliament and transparency, so that citizens can scrutinize budget documents.
- **International financial institutions should support inequality reduction.** For instance, the IMF's loan programme should support progressive taxation, while the World Bank and IMF programmes, projects and technical advice should include inequality indicators.

Endnotes

[1] World Bank. (2025). Poverty and Inequality Platform (version 20250930_2021_01_02_PROD) [Data set]. World Bank Group. https://pip.worldbank.org/ (last accessed on 21 October 2025)

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