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DEPARTMENT OF ECONOMICS

Working Paper

Erasing Class/ (re)Creating Ethnicity: Jobs, Politics, Accumulation and Identity in Kenya

By

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Working Paper 2012-08

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Abstract

A large literature on African economies argues that ethnicity plays a role in the politics and economics of African countries. Unfortunately, much of this literature is speculative or anecdotal because of the lack of data, with the exception of a few papers that examine ethnic networking as a business or employment strategy. In many ways Africa's failure to develop is a failure of nationhood. Creating nation is handicapped by the use of ethnicity. In this paper, I empirically examine the relationship between employment, wages and ethnicity in Africa via a case study of Kenya. I challenge the pervasive view that ethnicity in Africa is related to a primordial instinct and attempt to show empirically that ethnicity is used by politicians as a political strategy to maintain power. In the process of using ethnicity, class solidarity is explicitly down played by politicians as ethnicity is reified. In this paper I specifically examine whether jobs are being used by politicians as both reward and carrot to ensure ethnic allegiances. This is done by testing whether being a member of a dominant group (in terms of population and also politically) has an impact on the possibility of employment and the level of wages. I do this using data from the 1986 Labour Force Survey which due to timing, uniquely allows me to connect ethnicity and income. I group the observation into 5 groups that are ranked based on kind of employment and wage. Of the five sectors the two desirable sectors are Self-employed above median income and Full time employment above median income. I test whether ethnicity has an impact of one being employed in these sectors. By inter-acting the dummy variable for dominant group in population and the ethnic dummy, I am able to separate out what may be returns just due to ethnic networking that comes from common culture, language etc and returns which are due in some sense to being from a politically dominant ethnicity. I am also able to test for the impact in a change in the ethnicity of the president (a further test of ethnic dominance) by using a difference in difference approach. I find that being in a politically dominant group improves one's chances of obtaining a full time above median wage job. In fact this improvement in chances was highly correlated with political power and a change of ethnicity of the president resulted in a decrease in the probabilities of the past presidents "kinsfolk" being in desired sectors. Being a member of a locally dominant group in terms of population as compared to a politically dominant national group has no effect on likelihood of employment in one of the premium categories. My findings support the view that in a highly centralized state ethnicity can be reproduced via preferential employment to members of an in-group thus diminishing class solidarity that one may expect to occur between workmates.

Keywords: Social Stratification, Discrimination, ethnicity, Kenya, inequality, employment.
JEL Codes: Z13 N37, O15, P16.

Draft: Please do not cite without author's permission

Introduction

It is difficult if near not impossible to discuss African development and politics without the mention of ethnicity or more conventionally "tribalism".[1] For many scholars and at the popular level "tribalism" is one of (if not the major) the contributing factors to instability in Africa and the failure, or slow pace of African development. In fact today's *bête noir* of development, namely corruption, is often seen as pervasive in the African context because of the existence of "tribalism". Traditionally in modernist discourse "tribes" and "tribal" affinity were seen as fixed markers of a primitive past that would be eradicated with development/modernization. On the right, western and western trained scholars imagined an Africa before colonization, that had no history and was inhabited by savage tribes relentlessly at war with each other. On the left the image was that of the noble savage the custodian of human nobility (Mudimbe 1990; Eze 1997; Hameso 2001) Regardless of side "tribe" and "tribal" affinity were both a hindrance to modernity and explanations of Africa's negative exceptionalism. The path to modernity therefore lay in the destruction of tribes. From the right civilization would come via education and religion (as opposed to "tribal" superstition) while from the left it would come from a broader progressive territorial nationalism, education and working under capitalist conditions in urban areas. This unilinear path to modernity took the unified nation-state as a given and its consolidation along with development leading to the end of "tribalism" (Mkandawire 2003).

While Africans struggled with these perceptions of themselves, they also mostly bought in to this trope, and post independence political speeches were studded with references against the ills of

[1] We use "tribe", "tribal" and "tribalism" in quotes in the introduction only given its pejorative connotations and use ethnicity in the rest of the paper.

"tribalism". Yet fifty years after independence for many countries "tribalism" is alive and well.. Because "tribalism" is seen as innate[2] and ethnicity as fixed, there are few policy prescriptions other than legally barring its practice and moral campaigns against it. We would argue that an examination of the political economy of how identity is created and reinforced would help us understand the ethnicity and its use in African countries and provide us with clues as to how to address this beyond simplistic legal and moral remedies. In particular we would argue that understanding this political economy is important in the project of creating a nation and the obligation of the state to its citizens – the failure of which we would claim is central to a significant amount of African malaise (Gĩthĩnji and Holmquist 2011). In this paper we will examine what might be some of the political economy underlying social identity and ethnicity using Kenya as an example. In doing this we hope to both dispel the myth of innateness of "tribalism" by providing a mechanism by which ethnic citizenship is rewarded and also the explanation that "tribalism" is a form of false consciousness.

The Road Well Travelled

Much of the discussion on ethnicity in Africa is found in the political science and history literature particularly with reference to the reintroduction of multiparty elections to most African states in the 1990s. . The main themes covered both in the African context generally and the Kenyan one specifically have included, comparative studies of ethnicity across African countries, ethnicity and

[2] The perception of ethnicity as fixed and its accommodation is exemplified in the present Ethiopian constitution that creates provinces based on ethnicity. The first Kenyan post-independence constitution took a similar tack, after revisions the regional assemblies that tended to coincide with ethnicity were removed. The new Kenyan constitution has returned to a similar formulation via the creation of counties. Given migration during the post-independence period more of these are now multi-ethnic but they still substantially are dominated by single ethnic groups.

democracy/elections, ethnic domination of the state, and ethnic violence and politics (International Commission of Jurists . Kenya 2000; Mwakikagile 2001; Ajulu 2002; Ogude 2002; Omolo 2002; Jonyo 2003; Berman, Eyoh et al. 2004; Kimenyi 2006; Jinadu 2007; Branch 2011; Kanyinga and Okello 2011). In the main because of the focus on politics there has been little focus on the economic basis of ethnicity, although there has been passing reference to the unequal distribution of wealth and income in the Kenyan studies. The result is that the policy prescriptions tend to focus on political ethnicity often referred to as "political tribalism" and legal ways to contain it.

A couple of studies have made a more concerted effort at locating the unequal distribution of resources related to ethnicity[3]. Karuti Kanyinga (2006) enumerates the number of senior positions in government including the cabinet, Provincial administration, Heads of government parastatals and High Commissioners by ethnicity over time and shows how ethnic group representations shifts both with changes of power and ethnicity of the head of state and the shifting alliances that the head of state employs to maintain power. Jane Kiringai (2006)examines public spending from the perspective of inequality, interestingly she finds less of a case for political interference in the mal distribution of resources and more a case of the failure of clear guidelines for the line ministries of how to deal with

[3] Here I am referring to the literature that focusses on ethnicity and individual economic outcome and more specifically to the Kenyan case. There is a larger literature on ethnicity and development in Africa particularly as ethnicity relates to civil conflict and also natural resource distribution. Examples of this are Ndikumana, L. o. (1998). "Institutional failure and ethnic conflicts in Burundi." African studies review : the journal of the African Studies Association African Studies Review **41**(1): 29-47, Ndikumana, L. o. (2000). "Towards a solution to violence in Burundi: a case for political and economic liberalisation." The journal of modern African studies : a quarterly survey of politics, economics and related topics in contemporary Africa The Journal of Modern African Studies **38**(3): 431-459, Ndikumana, L. o. and R. World Institute for Development Economics (2001). Fiscal policy, conflict, and reconstruction in Burundi and Rwanda. Helsinki, United Nations University, World Institute for Development Economics Research, Nkurunziza, J. D., F. Ngaruko, et al. (2002). Explaining growth in Burundi : 1960-2000. Oxford, University of Oxford Centre for the Study of African Economies.

inequality[4]. Francis Stewart ((2010) also empirically connects the number of positions at senior levels in the government to changes in power and the subsequent tensions arising out of such redistributions of influence. Both Kiringai (2006) and Stewart (2010) also point towards the inequality in other resources such as budgetary allocations, health, education and electricity resources at the regional (provincial and district levels) and tie this to ethnic inequality based on the fact that there is a fairly high correlation between regions and ethnicity.. The work of Stewart (2000)and Østby (2005) and Østby and De Soysa (2008) while not limited to Africa points out how horizontal inequality- ethnic inequality- leads to conflict. On the other hand Collier et al (2009) for example find that rather than fragmentation which has often been used as an explanation for instability and lack of development – it is ethnic domination that tends to be a problem as well as the availability of natural resources to finance conflict. In their study inequality is not significant.

The literature in economics is not as rich as that in politics. Many studies are similar to the Collier et al (2009) study that look a cross-country comparisons and the impact of ethnic fragmentation on growth such as Easterly and Levine(1996). There import is however challenged by Arcand et al (2000) who point out both the limitations in data and the lack of a mechanism through which ethnic fragmentation works. Kimenyi (2006) makes a theoretical argument that fragmentation tends to lead to the under provisioning of public goods.

[4] We should note that the benign neglect of not providing clear guidelines on how to deal with inequality may be a political strategy in of itself. If the wealthiest group is also politically dominant, it may be in the interest of wealthy individuals in this group not to bring attention to the inequality in the group.

There are a number of studies that look at the impact of ethnicity on individuals, particularly at the impact on economic well-being or success at entrepreneurship. These include Collier and Gargs (1999) work which looks at the importance of ethnic networks in entrepreneurship in Ghana, as well at Fafchamps (2000; Fafchamps 2003) who points to ethnic network roles playing an important part in receiving of credit for manufacturing in Kenya and Zambia and trade networks in Benin, Malawi and Madagascar, and Addai and Polimica (2010) who explores the impact of ethnicity on well being and find that it is important. While the economic literature looks at the impact of ethnicity on economic outcomes it makes little explicit connections to politics. On the other hand the literature from politics and history while carefully mapping out the use of ethnicity in politics cannot connect that to individual outcomes except for a small section of the elite that are appointed directly by the president (Stewart 2010, Kanyinga 2006). It is this lacuna that we intend to fill. That is providing a mechanism for the rewarding of individuals beyond the presidential appointments that result in the creation and recreation of ethnicity in Kenya.

Beyond exploring the mechanism of ethnic reward our paper is also an attempt to link three somewhat disparate literatures namely the politics and the economics literature mentioned above and the literature on discrimination and social identity that has developed over the years. This literature which developed mostly in the United States to initially explain white versus black inequalities is now in the form of the study of stratification examining the nexus between issues of identity and social stratification world-wide (Darity and Deshpande 2003; Darity and Mason 2004; Darity 2005) While traditional economics has in the main focused on the analysis of difference based on the outcome of

labour markets, stratification economics borrowing from sociology, and other social sciences, seeks to incorporate non-market explanations that are structural in nature. At the core of the enterprise of stratification economics is the study of intergroup inequality via intergenerational transfers and maintenance of benefits by dominant groups in addition to the standard studies of discrimination (Darity 2005). This area of research allows us to examine the impact of non-economic processes as well as economic process in the formation and maintenance of inequality. Another way of looking at our work and stratification economics is that rather than treat group difference (horizontal inequality) and individual difference (vertical inequality) separately, we attempt to bring them together and account for the interaction between the two.

A Materialist Perspective on Ethnicity

Before we address the more specific Kenyan let us abstractly explore the political economy of transition to capitalism and how ethnicity might mutate and recreate itself in the particularly debilitating form that it has taken in the modern African context. Prior to colonialism and the expansion of capitalism, communities constructed their livelihoods around access to land, and ethnic communities not only shared a language and culture but importantly also a primary form of production. We can refer to this primary form of production as a mode of subsistence. In many ways then ethnic groups were essential different modes of subsistence (Marx 1993). Citizenship within an ethnic group gave one rights to the complementary capital to labour needed for survival, in this case

land. This access was mediated by the local ethnic elites[5]. In African countries as colonialism and alongside it capitalism intruded land become more scarce, as one can imagine this had contradictory effects. On one hand the scarcity initially gave the elites more power as land became more valuable. In the longer term however if individuals were forced to find opportunities in the capitalist sector unmediated by the elites, this would decrease elite power. This power of the elites would be further weakened if the individuals were able to reproduce themselves wholly in the capitalist sector.

The ties between individuals from a specific community survived this transition for a number of reasons. The first is networking. That is the provision of information and assistance on opportunities in the capitalist sector as well as safety nets. It is well documented that early migrants to colonial centres created social clubs and networks based on place of origin. These were used to assist individuals seek employment, provide a safety net for crisis periods and most importantly to ensure that bodies were repatriated to home regions so that individuals could be laid to rest among their ancestors (Afigbo 1985). Over time as individuals and households depended more on the capitalist economy, one would expect that their network for survival would become broader drawing both on ethnicity and new networks based on production. The use of ethnicity here was for inclusion into the capitalist sector. Of course every act of inclusion is simultaneously an act of exclusion. However in this form, we would argue that the active part of the dialectic was the inclusions; the exclusion being passive. That is to say that there is there is a difference between providing information to one's fellow villagers on the availability of employment in the capitalist sector, and actively blocking other groups

[5] African ethnic elites were not only constructed along wealth lines, there were also differences due to sex and age.

access to the same jobs. The pace of change in the form of networks of course also depended on the extent to which there was a reservoir of ethnic labour that needed to be integrated into the capitalist economy. As long as this existed one should not expect the use of ethnicity as networking to disappear.

As we noted above the elite within specific ethnic communities faced two contradictory effects from the expansion of capitalism, the first was a strengthening from the increased scarcity of land, the second was the loss of control that came with members of their community leaving for the capitalist sector in order to be able to produce and reproduce themselves. As long as entry into the capitalist sector was unmediated by the ethnic elite this group lost some power and legitimacy.

Two feature of capitalist expansion particularly in most of post-colonial Africa allowed for the recreation of ethnicity within a different mode of production. The first was the creation of the territorial state that covered multiple ethnicities within it[6], and with it the creation of a territory wide economy administered by the colonial authority that was separate from the local economies. This statewide authority that later was the post-colonial government became the main arbiter of resources in these new economies. Access to these resources required inclusion within this new authority. The second was that inclusion into this authority depended on claims of representing a distinct population. The number of individuals you represented thus became the currency for local elite inclusion into the

[66] There were some instances where the colonial territory coincided with a pre-existing state such as Burundi, Rwanda, Botswana, Swaziland and Lesotho.

national elite. Under these circumstances the saliency of ethnicity for the elite becomes clear even where the use of ethnicity may mean that many local elites may never control the national elite, this systems allowed for their inclusion, thus they became arbiters of access to resources at the national level for their ethnicity – essentially entry into the capitalist economy. This mitigates the loss of power that would have occurred if individuals entered the capitalist economy as individuals. In short these arrangements allow for the survival of an ethnic elite even as the ethnic mode of subsistence – from which they traditionally derived authority- becomes less important. This mode of division of opportunities with the capitalist economy is not one of networking for inclusion as individuals may do to get access to new opportunities, but rather one of the active exclusion of others from national resources as control of specific resources give ethnic elites new currency and relevance within their own ethnic community. The inclusion of ethnic elites as elite in the national capitalist economy and administration requires the active exclusion of the multitudes of others.

Ethnicity in the Kenyan Context

"The settler brings the native into existence" (Fanon 1969)

The question of ethnicity has bedeviled Kenya right from independence where it was couched as regionalism. In fact at the pre-independence constitutional talks it was the major dividing line between the two nationalist parties name the Kenya African National Union (KANU) and the Kenya African Democratic Union (KADU)[7]. Initially the KADU position of regionalism or *majimbo* in Kiswahili

[7] Tom Mboya argues that regionalism originally was promoted by the European parties that wanted to keep control of the so called white highlands. See .Mboya, T. (1963). Freedom and After. Boston, Little,Brown & Co.

won the day and it was entrenched in the independence constitution via the creation of regional governments and a second house in parliament, namely the senate. This arrangement however was seen by the ruling party-KANU - as limiting its power to create a nation, and develop Kenya and also as entrenching ethnic concerns over national. In a series of constitutional amendment in the 60's the country moved to a more centralized model under the Kenyatta regime (Gĩthĩnji and Holmquist 2011). These concerns were rooted in the colonial experience which transformed how ethnicity was seen and the relationships between people from different ethnicities.

Historically, ethnicity in much of Africa and in Kenya has been more fluid than our present day conceptions. Scholars who have studied pre-colonial African groups and their response to crisis point out that the survival of individuals in the face of a shock often depended on shared safety nets between different communities. The specialization of different ethnicities in different ecological niches[8] often meant that shocks, such as drought for example, were not uniformly felt across different populations. Those in ecological niches that were resilient to a shock were able to absorb "outsiders" who had been more dramatically affected. For this to occur there needed to be a certain degree of fluidity between ethnicities (Kjekshus 1977; Anderson and Johnson 1988)[9] This fluidity in movement is affirmed more recently in the widest genetic study of African peoples (Tishkoff, Nyambo et al. 2009). In this study they find that in a number of instances that ethnicity as defined by language

[8] Marx in the Grundrisse views ethnicities as different modes of subsistence. See previous section

[9] In our narrative on ethnicity we do not mean to suggest that prior to colonialism Africa and specifically Kenya was an ideal pacific area, but rather that the ethnic relationships were more complicated and included conflict, cooperation and even assimilation. We focus on the fluidity of the category because that is what has been ignored in much of the modern literature. Any acceptance that ethnicity is fluid then requires an explanation of why ethnicity may persist, which is what we try to show in this paper.

groups does not coincide with genetic structure of the population. For example the Jaluo in Kenya who are Nilo-Saharan speakers are much more closely related to the Bantu speakers such as the Abagusi, Abaluhyia, or Agĩkũyũ than they are to other Nilo-Saharan groups. Ironically politics in Kenya ethnically has often been cast in terms of the Bantu speakers having commonality against the Jaluo. The shared genetic structure but different linguistic tradition suggests that groups of one type may have adopted language from another community or been incorporated into different ethnicities from their original one. This fluidity around ethnicity also came into sharp focus around the writing of the new constitution in Kenya as well as the hearings of the Truth and Reconciliation Commission. (Kanyinga and Okello 2011; Lynch 2011). In the face of discussions of ethnicity and decentralization of resources and planning the number of ethnic communities demanding to be recognized almost doubled from the standard 42 groups normally enumerated, as a way for different groups to make claims on resources (Kanyinga and Okello 2011) In another example of the fluidity of ethnicity Lynch (2011)) documents how in the Truth and Reconciliation Commission hearings, groups which previously were considered Kalenjin have been making claims of being separate and independent ethnicities.

If ethnicity was fluid before the colonial period, why was it subsequently viewed as more fixed? Fanon once stated that 'the settler brings the native into existence'(Fanon 1969). It was in the creation of new states and boundaries both at the national level and the local level that the ethnicities that we refer to today in African countries and more specifically Kenya became "fixed". The creation and marking of ethnic districts was the first step to the process. By reinforcing a fixed and inflexible space as

belonging to a particular ethnic community some of the mobility that people had had between ethnic groups was reduced. In addition the colonial authorities also sought to create new ethnic categories for these and other purposes. For example in Kenya the existence of the ethnic groups, Abaluhyia, Kalenjin and Mjikenda is a product of the desires of the colonial administration (Atieno-Odhiambo 2002; Lynch 2011).

The reification of ethnicity in the new colony went beyond the creation of new ethnicities and the rigid relationship between place and ethnicity. The practice of national politics was handicapped by ethnicity from the beginning. During the colonial era political organization was limited to the district level thus forcing political organizations to essentially be ethnic organizations. These restrictions were not lifted until the early 1960s just before the first truly national elections[10] . The national parties that then came into being were therefore a coalition of different ethnic parties (Ajulu 2002; Atieno-Odhiambo 2002; Gĩthĩnji and Holmquist 2009).

The modern bane of ethnicity in Kenya has been nurtured by the nature of the very highly centralized regime inherited from the colonial era. There are two aspects to this particular institutional form that create this result. The first is the fact that the Presidency inherited whole the provincial administration - what Mamdani (1996) calls the Native Authority - along with its history of administration that was

[10] It was not just politics that was restricted but at actual movement of people via the passbook system. This therefore limited the imagination of Kenya as a nation by Africans. Branch (2011) points to this restriction in describing Musa Amalemba's leader of the Buluhya Political Union travel to Maralal to visit Jomo Kenyatta

based on the idea that the appropriate mechanism of administration was through ethnic authorities[11]. The provincial administration is the one arm of government that has a presence all the way down to the village level and is accountable to no one but itself with the president at its apex. The second aspect is a winner takes all system of elections in a capitalist political economy but with a relatively weak capitalist class. In this context the state is a major player in the economy and the president particularly has tremendous powers in making appointments to various state owned or public-private enterprises (Kanyinga 2006; Gĩthĩnji and Holmquist 2011). These appointments then become a way for politicians to reward supporters and to get access to state resources for political activity. Nonsupport is also punished via the loss of jobs, as in for example the firing of Kenya People's Union (KPU) affiliated parastatal bosses (all –non-Gĩkũyũ) in the aftermath of the little general election of 1968[12] (Mueller 2010). A quick look at the distribution of employment between the public and private sector shows the degree to which controlling the public sector gives control over a large number of jobs in the economy

The public sector has always loomed large in terms of employment in Kenya. At independence in 1963 it accounted for just under 30 per cent of employment. By 1969 it had risen to 37 per cent before falling in 1972 to approximately 32 per cent of all formal employment. Via expansion particularly during times of economic crisis that proportion expanded again to 40 per cent in 1975

[11] Kenyatta extended this idea to his cabinet by soliciting for the educated sons of ethnic elites to serve on the cabinet.
[12] After absorbing KADU shortly after independence, KANU split up as the left wing of the party under Jaramogi Oginga Odinga formed KPU. A constitutional amendment that required members of parliament (MP) to seek a new popular mandate if they exited the party under which they entered parliament was hurriedly passed in parliament necessitating the so-called "little general elections" of 1968. KANU under Kenyatta was dominated by members of the Agĩkũyũ, while KPU via a brilliant but insidious strategy of challenging them everywhere but in Nyanza was marginalized and ended up with only MPs from the Jaluo.

and to approximately 43 per cent in 1986. For our analysis we are focusing on this earlier period given our data, however for completeness we should note that public sector employment remained at 43 per cent of formal employment till 2003 where it begins a downward trend that by 2008 left it at 39 per cent of total employment, still above its 1972 level despite twenty or so years of neo-liberal policy that focused on reducing its size. The early period including the expansion in 1973 allows Kenyatta the first president to reward his supporters while the increase post 1979 including the increase from approximately 38 per cent to 43 allows Moi the second president to reward his supporters. These increases are even more important later on when the economy is growing slowly and private sector opportunities are therefore very much limited. In our analysis later on we exploit this natural experiment in the change of power from Kenyatta who was from the Agĩkũyũ to Moi who is Kalenjin.

Given these institutions that allow for the existence of ethnicity, how is ethnicity mobilized in the Kenyan context. There are four main avenues via which ethnicity is mobilized. The first is around elections and in particular the presidential elections. Given the ethnic nature of politics in order to compete for presidential elections one is forced to first mobilize one's own ethnic block as a chip to use to negotiate with other members of the political elite. These numbers are used to either make a case for being the candidate for a party or to make demands for other positions after elections as a condition for support. The second way that ethnicity is mobilized is around claims to national resources such as senior positions or development projects. Ethnic elites often make these claims in their attempts to ensure their own sinecures in the public sector. The third is around claims to land.

With little employment generated in the formal sector relative to population increase, land has remained important in assuring livelihoods. Claims of being autochthones are often invoked as a way of getting access to land or diminishing the claims of others. The fourth invocation is probably the most insidious. This is the grasp for ethnic support as a shield against charges of malfeasance. For example senior politicians implicated in corruption will often rally ethnic cohorts to their defense by claiming that they are being targeted for indictment not as individuals but as the leaders of an ethnic community. By extension in fact it is the ethnicity that is being targeted (Gĩthĩnji and Holmquist 2009).

The result of Kenya being a divided nation along ethnic lines has resulted in regional outcomes that are highly differentiated. In Table 1 we present the Human development index (HDI) and average income for 2000 (UNDP-Kenya 2001). Because regions are somewhat coincident with ethnicity (see table), regional difference are seen as and are to an extent, ethnic differences in economic outcomes. A number of things are clear from the table. First, there is a large difference between different parts of the country. With Income being 7 times as large in the richest region as it is to the poorest region. The second is that Nairobi does much better than the rest of the country. The third is that the ancestral homes of the presidents of Kenya, Central and the Rift Valley do better in HDI terms than the other provinces, with scores above 0.5 while all other provinces are below 0.5. Kenya's income equality is also very high. Most estimates range between 50 and 70 (Githinji 2010). One of the challenges that this regional breakdown presents is that not all difference is due to ethnicity, both history in the form of where capitalist penetration was earliest and natural endowments also play a

role (Ajulu 2002; Atieno-Odhiambo 2002). However, the political system rather than correcting for these accidents of history and nature seems to have only exacerbated them.

Table 1: Regional Differences in Kenya 2000

	HDI	Income per Capita	Largest Ethnic Groups
Kenya	0.539	16,406	Agĩkũyũ, Jaluo, Abaluhyia Kalenjin, Akamba
Province			
Nairobi	0.783	78,644	Agĩkũyũ, Jaluo, Abaluhyia
Central	0.595	17829	Agĩkũyũ
Coast	0.459	18,840	Taita, Mijikenda, Arab
Eastern	0.452	15,131	Akamba, Meru, Embu
Rift Valley	0.528	15,251	Kalenjin, Abaluhyia, Maasai, Agĩkũyũ
Nyanza	0.457	14,169	Jaluo, Abagusii
Western	0.445	11,191	Abaluhyia
North Eastern	0.426	17,212	Somali

Source: Kenya Human Development Report (UNDP-Kenya 2001)

The Questions and Data

Theorizing how identity affects economic outcomes is fraught with complications. In an ideal free competitive market we would expect that economic outcomes and more specifically employment would be primarily determined by ones human capital. However we do not live in such an ideal and in actually existing markets other factors, such as networks, discrimination, etc. count. This is further complicated by the fact that human capital itself does not appear *sui generis* but itself may be a product of an individual's networks and their prior accumulation of human and physical capital and discrimination.

Given these complications how do we model economic outcomes for an individual? We assume that in a developing country such as Kenya, markets are not complete nor necessarily dominant. Further

historically different communities of the population come into contact with capitalism and the formal employment sector at different points of history. The degree of contact is also modified by the internal demographic and economic conditions of the community. For example favorable agro-ecological conditions and generous access to land may slow down movement into employment and may favor engagement with capitalism via the production of crops for the market. On the other hand a more limited agro ecological base may favor movement into employment but that would also be dependent on building the kind of human capital that the formal sector demands. This may be difficult under these conditions.

In the Kenyan predominantly agrarian context we model this as follows. Individuals on reaching the highest educational grade they can achieve can "choose" between farming, self-employment, or taking a job. In fact this is not really a choice because the sector one "chooses" to be in is heavily constrained by the existing political economy and one's own position within it. The choices of self-employment or working for someone else is dependent on what you believe are your chances of doing better in those sectors than remaining in farming. We will focus on urban employment and therefore assume away the "choice" between farming and employment or self-employment. When making the choice between self-employment or employment beyond human capital other factors come into play. Being employed is heavily dependent on the employer's view of you, as compared to being self-employed where networks and access to credit may play a much more important role. Where much of the

employment is in the public sector then the political biases of those controlling the public sector[13] (thus effectively being the employers) becomes extremely important. Where these biases include an ethnic component, one's ethnicity may be either a step up or barrier to employment. Those controlling the public sector or populating the networks of different self-employment possibilities are themselves however a product of prior existing networks and accumulation. So to properly account to what degree ethnicity pure plays a role in economic outcome we must also attempt to account for prior economic histories of ethnic groups.

As we have noted there is very little work that has empirically looked at the role of ethnicity in the Kenyan context. More recently the government has engaged in a census of the ethnicity of public workers. While what has been publicly reported has tended to suggest that the larger ethnic groups dominate the civil service the publicly available reports have not corrected for population size nor education(Anon 2011; Leftie 2011). In this paper we go beyond this simple enumeration by econometrically testing for the following three questions. The first is does ethnicity make a difference in the kind of employment an individual receives? The second is how is this related to political power? We do this by looking at whether individuals going into the labour market after a change in political power receive the same treatment as their ethnic cohorts who entered the market prior to the change, while controlling for any secular trend. By doing this we are partially able to separate out whether the returns to ethnicity are related to political power or to advantages due to accidents of

[13] Although we mention the Public sector here – given the close relations between the public and private sector in Kenya, we could have as easily said that most employment depends on who is in power as much of the private sector depends on public sector contracts and licensing to survive. So the impact of those who control the public sector extends beyond public sector employment.

history such as an earlier or more extensive contact with capitalism by a specific ethnic community (Ajulu 2002; Atieno-Odhiambo 2002). The third is does the impact of ethnicity disappear in urban environments. Omolo (2002) for example suggests that increased material insecurity may turn city dwellers more toward ethnicity than class. This is consistent with the literature in history which points to urban ethnic organizations as being one of the new forms of institutions that arise in colonial cities (Afigbo 1985). To control for prior accumulation we introduce agro-ecological controls for district of birth as well as degree of formal economy penetration by controlling for prior levels of education and the degree to which land has become a commodity via registration of title deeds. This is also partially a reflection of the infrastructure of a district. Our model takes the form:

$$J_i = \beta_0 + \beta_i H_i + \gamma_i E_i + \delta_1 T + \delta_2 (T^* E_i) + \omega_i F_i + \varepsilon$$

We answer these questions by estimating the multinomial logistic regression model above, where J_i is the sector of employment and level of income. The sectors are self-employed, full time employed, part time employed and others, part-time employed and unemployed. Both the full time and part time employed are divided into two groups by median income. The other/part time category is the base category to which the other groups are compared. We divide the sample into self-employed versus employed because we expect that the impacts of ethnicity on self-employed will be dominated by network effects while those of the employed will be dominated by political power and discrimination. H is a vector of basic human capital and demographic characteristics including age, education and marital status,. E is a set of ethnic and spatial variables including whether the individual

is rural born, their ethnicity and whether their ethnicity is the local major ethnic group in population terms. By controlling for the dominant ethnicities locally we are also able to separate out the network effects that Collier and Garg (1999) find from purer returns to ethnicity. Darity and Mason(2004) find that the presence of same race individuals has a positive effect on income. We are in a sense proxying for a similar effect. These ethnic and spatial categories in our most complete model also attempt to control for prior accumulation and contact with capitalism. As noted above this is proxied by the availability of favorable agricultural conditions which control for the potential of doing well and access to capital as well as the stock of human capital in the community inherited from the prior mode of accumulation and political structure. *T* is a dummy variable representing the year in the change of the president. We interact that with the outgoings presidents ethnicity to explore the effect of the loss of political power for the ethnic group. *F* is a series of fixed effects to control for the different provinces.

We estimate the parameters using the Urban Labor Force Survey of 1986. Our coverage is national in nature with the exception of North Eastern province a sparsely populated area that holds under 5% of the population. The total number of individuals in the data set is 9500 in 2500 households. We focus only on working males as is standard in the literature as a way of avoiding the endogeneity of choice for women joining the labour force. Our data therefore consists of males over 16 not in full time education. This leaves us with slightly more than 1800 complete observations. We focus on urban employment for two reasons, the first is that is where most of the formal sector jobs are, and the

second it is in urban areas that you will find a mix of ethnicities and therefore most likely some competition for jobs.

The most important reason however for using this data set is that given when it was collected we can identify the ethnicity of individuals via their districts of birth. There is a dearth of African data sets (let alone Kenyan) that contain ethnicity, income and employment variables. Our identification strategy is as follows. Because most working people in the dataset were born during the colonial era and given the restriction of movement in colonial times, there is a coincidence between rural district of birth (which is in the data) and ethnicity as districts were ethnically defined during colonialism. Because of this the vast majority of urban dwellers are first generation rural migrants (Gĩthĩnji 2000). Therefore by using birth district we can identify ones ethnicity[14]. Where individuals are urban born we are able to identify their ethnicity by looking at the district of birth of an elder relative living in the household. In our sample over 80 per cent of individuals are rural born and 50 per cent have rural born parents living with them. There are high urbanization rates for the largest ethnic groups who tend to come from high density districts, with the exception of the Kalenjin who urbanised at a much slower pace (Ajulu 2002).

[14] We are able to confirm that the rural districts are indeed predominantly occupied by single groups by using the Demographic and Health Survey 1989 which contains both data on ethnicity and local language. In all instances the districts we identified had a minimum of 75% occupancy by a single ethnic community. In a majority of the cases the % of population was over 90 %. We left out some of the more cosmopolitan districts such as Nakuru and Trans Nzoia where there is a more heterogeneous population. As these districts are relatively prosperous and contain members of the groups we are interested in we suspect that our estimates are lower bounds of the effects we are examining. Please note that these numbers are the numbers in 1988 which is approximately 28 years after the restriction on movement. In our calculations we are using the individuals district of birth. Since all the individuals are 16 or older we expect that the districts would have been even more homogeneous at the time of birth of the individuals we examine.

Table 2: Population by Ethnicity-Large Groups 1980 Census

Ethnicity	Population (millions)	Share of National Population
Mijikenda	0.73	5%
Meru	0.84	6%
Abagusi	0.94	6%
Akamba	1.7	11%
Kalenjin	1.7	11%
Abaluhyia	2.0	13%
Jaluo	2.0	13%
Agĩkũyũ	3.2	21%

Source: Statistical Abstract (National Bureau of Statistics 1988)

In 1986 Kenya was made up of 42 African ethnic groups[15] according to the census (National Bureau of Statistics 1988) . In 1980 the groups numbered from 3.2 million in population for the largest groups, to the hundreds for the smallest groups. In table 2 we provide a breakdown of Kenya for the largest ethnicities. The top eight groups account for 86 per cent of the entire population. For our purposes and also because it eases identification and provides samples large enough to give meaningful statistical results we concentrate on the largest 5 ethnicities in the country, namely the Agĩkũyũ, Kalenjin, Jaluo, Abaluhyia and the Akamba. Given their predominantly monoethnic home districts this allows for clearer identification.

We present below in Table 3 the basic income and demographic statistics for our sample.

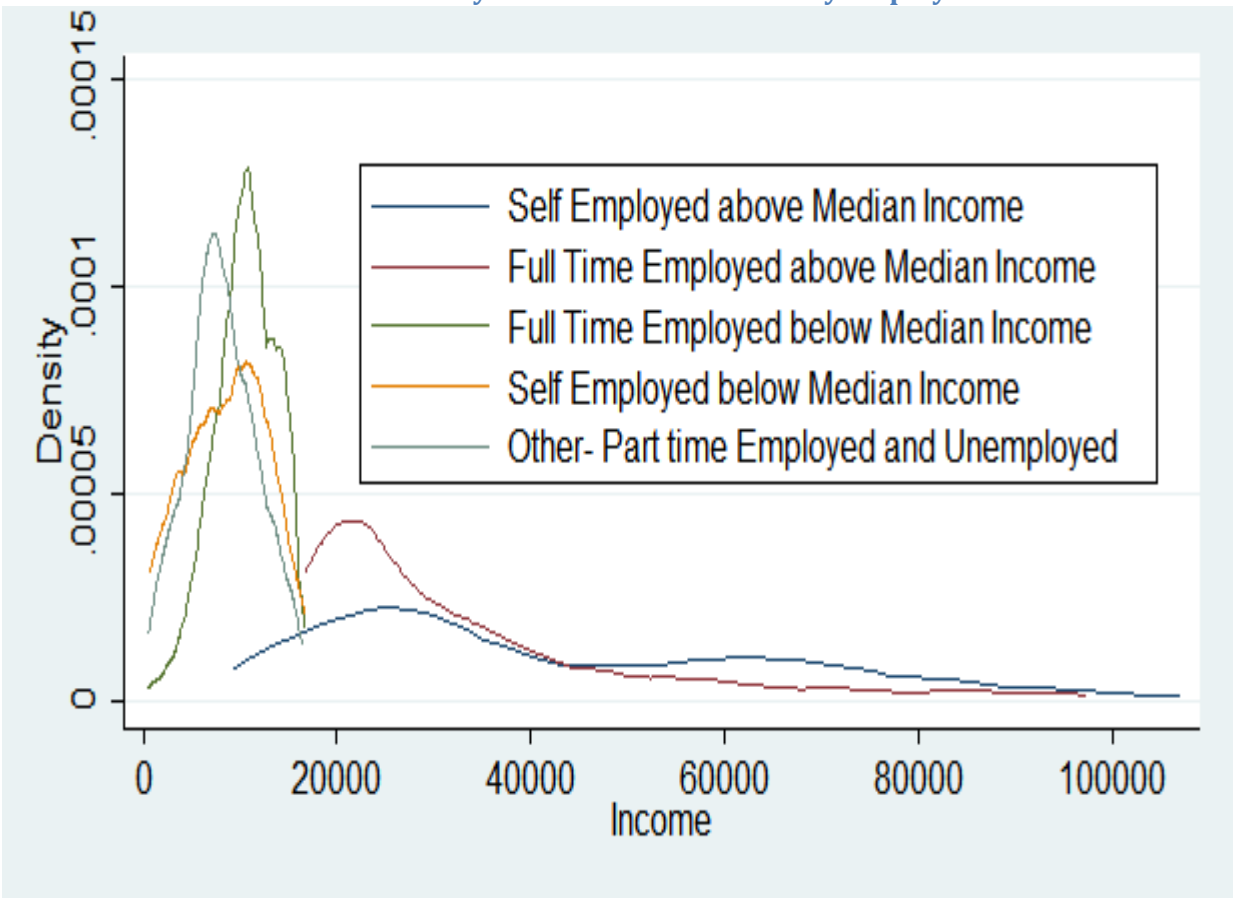
[15] We should note that this number can be somewhat fluid. In earlier years for example the Kalenjin were enumerated in separate groups thus leading to the total number of ethnic groups being larger. Also note the demand for the recognition of more ethnic groups in the truth and reconciliation hearings we alluded to earlier.

Table 3: Incomes and Employment by Employment Groups

	% of Pop	Mean Age (Years)	Mean Years of Education	Mean Yearly Primary Income (KShs)	Median Yearly Primary Income (KShs)
All Urban	100	34.6	9.1	37508	16813
By Employment					
Self Employed above Median Income	8.3	39.5	10.1	85040	54600
Full Time Employed above Median Income	31.5	35.6	11.6	58874	31164
Full Time Employed below Median Income	26.7	34.3	7.7	10687	10808
Self Employed below Median Income	7.3	41.2	7	8576	9607
Other- Part time Employed and Unemployed	26.2	30.3	8.1	9328	7800

The largest group of individuals is found in the full time employed above median economy followed by the full time employed and then the residual category. The numbers of self-employed are rather small. In both cases being fewer than 10 per cent. A number of other things jump out immediately. The first is the inequality in a number of categories where the median is substantially higher than the mean. The groups where this is the case, include the top two groups, full time employment and self-employed above median income. As in other studies education as measured in number of years is also striking, seeming to go up with income. The higher education for full time employees over the self-employed seems to confirm the common place belief that education in Kenya is highly academic leading people towards formal employment rather than entrepreneurial activity. The self-employed are in two groups, the top income in this group given their relatively young age seem to have chosen to go into this group, while the other group of self-employed with the lowest education of all groups and low income seem to be individuals with no other choice. The lowest group in income is the combination of part-time, casual and seasonal employment.

Chart 1: Probability Distribution of Income by Employment



The degree of inequality in income is confirmed by the chart of the 5 distributions (see chart 1). While the three lower income distributions are nearly indistinguishable, the huge inequality in the whole distribution and the upper income groups is immediately obvious given the long tails. Note these have been truncated for presentation and are actually substantially longer. Githinji (2000) finds that contrary to the then assumptions urban inequality was high in 1986 with a gini of 65.2 in per capita income terms.

Table 4 is a presentation of the distribution by employment by ethnicity. As one expects those ethnicities coming from densely populated areas are overrepresented in the urban population. We can compare the proportion of individuals from a specific ethnic group to their proportion of any sector. From these basic statistics the Agĩkũyũ are overrepresented in the high income category and slightly underrepresented on the lower income categories. The Kalenjin are overrepresented in the full time employment categories while the Abaluhyia, Jaluo and Akamba are underrepresented in the high income categories. Interestingly in the low income categories there is a difference by ethnicity and the Akamba, Jaluo and Kalenjin are underrepresented in the self-employed category

Table 4: Population and Employment Distribution (%) by Ethnicity

	Abaluhyia	Akamba	Gĩkũyũ	Jaluo	Kalenjin	Other Ethnic groups
All Urban	19.7	9.2	25.2	16.7	3.4	25.8
By Employment						
Self Employed above Median Income	12.6	5.6	32.8	10.9	2.5	35.6
Full Time Employed above Median Income	15.5	9.7	26.5	18.8	3.7	25.6
Full Time Employed below Median Income	23.3	9.8	22.6	15.5	4.3	24.4
Self Employed below Median Income	26.9	5.9	22.8	11.4	1	31.9
Other- Part time Employed and Unemployed	21.3	10	24.6	18.8	2.9	22.5

Differences: Myths and Truths and returns to Identity

In Tables 5 and 6 we present the results of regressions for the above median income categories. We present the results without the fixed effects details for clarity as these do not an interpretive purpose

but rather are controlling for other local effects. Our standard human capital and demographic statistics act as we would expect. The chances of being in a high income sector improve with age at a decreasing rate. Married males do better and education is very important. Being rural enhances employment but is negative for self-employment. In terms of ethnicity being in the local majority is insignificant or negative – a surprise. No ethnic group is more likely to be in the self-employed sector including the so called "industrious" Agĩkũyũ. The Jaluo and Abaluhyia however are distinctly disadvantaged. The change in political power as captured by the 1979 dummy occurred with a slowdown in the ability of the young to enter these top categories, but significantly young Agĩkũyũ did better in getting into the self-employed sector.

Table 5: Self Employed above Median Primary Income Results

Variable	Coef.	Robust Std. Err.	z	P>|z|	RRR	Robust Std. Err.
Age	0.290***	0.067	4.300	0.000	1.336	0.090
Age^2	-0.003***	0.001	-3.780	0.000	0.997	0.001
Not Married	-1.602***	0.386	-4.150	0.000	0.201	0.078
Education	0.214***	0.034	6.370	0.000	1.238	0.042
Rural Born	-0.608*	0.235	-2.580	0.010	0.544	0.128
Local Majority	-0.200	0.337	-0.590	0.552	0.819	0.276
Gĩkũyũ	0.255	0.425	0.600	0.548	1.291	0.549
Kalenjin	-0.019	0.677	-0.030	0.978	0.981	0.664
Jaluo	-0.901***	0.327	-2.760	0.006	0.406	0.133
Abaluhyia	-1.165***	0.420	-2.770	0.006	0.312	0.131
Akamba	-0.683	0.560	-1.220	0.223	0.505	0.283
Gi1979	1.426*	0.748	1.910	0.057	4.164	3.115
Y1979	-1.161**	0.486	-2.390	0.017	0.313	0.152
_cons	-7.022***	1.974	-3.560	0.000		

***= p <0.01 **=p< 0.05 *= p<0.1

Table 6: Full Time Employed Above Median Primary Income Results

Variable	Coef.	Robust Std. Err.	z	P>|z|	RRR	Robust Std. Err.
Age	0.427***	0.060	7.060	0.000	1.533	0.093
Age^2	-0.005***	0.001	-6.420	0.000	0.995	0.001
Not Married	-1.036***	0.227	-4.560	0.000	0.355	0.081
Education	0.289***	0.027	10.920	0.000	1.336	0.035
Rural Born	0.325*	0.175	1.850	0.064	1.383	0.243
Local Majority	-0.890***	0.231	-3.850	0.000	0.411	0.095
Gĩkũyũ	0.602*	0.329	1.830	0.067	1.826	0.600
Kalenjin	1.002**	0.490	2.050	0.041	2.724	1.335
Jaluo	-0.459*	0.246	-1.870	0.062	0.632	0.155
Abaluhyia	-0.508*	0.281	-1.810	0.070	0.601	0.169
Akamba	-0.676**	0.303	-2.230	0.026	0.509	0.154
Gi1979	0.421	0.544	0.770	0.439	1.523	0.829
Y1979	-0.452*	0.256	-1.760	0.078	0.637	0.163
_cons	-7.506***	1.365	-5.500	0.000		

***= p <0.01 **=p< 0.05 *= p<0.1

In the fulltime sector with above median income there are a number of additional key results. The first is that being a member of a local majority decreases your chances of being in this category. In terms of ethnicity being Gĩkũyũ or Kalenjin, the two communities that provided the presidents up to this time, improved your chances of being in this category. In the case of Gĩkũyũ they were 1.8 times as likely to be in this sector as compared to members of other ethnic groups, while in the case of the Kalenjin it is 2.7 times. On the other hand all the other three main communities are less likely to be in this group. The change in regime in 1979 resulted in the Gĩkũyũ who graduated after 1979 being less likely to be in this sector. This is consistent with our earlier results of this group being more likely to join the highly paid portion of the self-employed sector.

In tables 7 and 8 we present the below median income groups. Again the human capital and demographic variables act as expected. Notably rural born individuals are more likely to be in these categories. In terms of ethnicity there seems to be little network effect in the self-employed sector, apart from Jaluo being less likely to be in the sector. Most ethnic variables are however insignificant suggesting that sorting into these categories does not depend on ethnicity.

Table 7: Self Employed below Median Primary Income Results

Variables	Coef.	Robust Std. Err.	z	P>|z|	RRR	Robust Std. Err.
Age	0.192***	0.052	3.690	0.000	1.212	0.063
Age^2	-0.002***	0.001	-3.750	0.000	0.998	0.001
Not Married	-0.937***	0.210	-4.470	0.000	0.392	0.082
Education	0.024	0.021	1.120	0.263	1.024	0.022
Rural Born	0.367**	0.162	2.260	0.024	1.444	0.234
Local Majority	-0.961***	0.223	-4.300	0.000	0.383	0.085
Gĩkũyũ	0.469	0.326	1.440	0.151	1.598	0.522
Kalenjin	0.394	0.414	0.950	0.341	1.484	0.614
Jaluo	-0.593**	0.236	-2.510	0.012	0.553	0.131
Abaluhyia	-0.047	0.247	-0.190	0.848	0.954	0.235
Akamba	-0.352	0.271	-1.300	0.195	0.704	0.191
Gi1979	-0.420	0.415	-1.010	0.312	0.657	0.273
Y1979	-0.433*	0.249	-1.740	0.082	0.648	0.161
_cons	-1.630	1.300	-1.250	0.210		

***= p <0.01 **=p< 0.05 *= p<0.1

Table 8: Full Time Employed below Median Primary Income Results

Variables	Coef.	Robust Std. Err.	z	P>|z|	RRR	Robust Std. Err.
Age	0.253***	0.060	4.190	0.000	1.288	0.078
Age^2	-0.002***	0.001	-3.880	0.000	0.998	0.001
Not Married	-1.439***	0.385	-3.730	0.000	0.237	0.091
Education	0.060*	0.033	1.810	0.071	1.062	0.035
Rural Born	0.535*	0.278	1.920	0.054	1.707	0.475
Local Majority	0.331	0.309	1.070	0.284	1.392	0.430
Gĩkũyũ	-0.029	0.458	-0.060	0.950	0.971	0.445
Kalenjin	-0.762	0.840	-0.910	0.365	0.467	0.392
Jaluo	-0.398	0.534	-0.750	0.456	0.672	0.359
Abaluhyia	-0.410	0.378	-1.080	0.278	0.664	0.251
Akamba	-0.122	0.494	-0.250	0.805	0.885	0.437
Gi1979	0.492	0.849	0.580	0.562	1.636	1.389
Y1979	-0.153	0.594	-0.260	0.797	0.858	0.509
_cons	-7.119***	1.744	-4.080	0.000		

***= p <0.01 **=p< 0.05 *= p<0.1

While we are heartened by our results which generally conform with much of what is anecdotally suggested of Kenya, we understand that the relationship between ethnicity and economic opportunity is more complex than we have so far depicted. Economic opportunity is dependent not only on an individual's human capital and networks but also the historical endowment to which an individual may have access. In the context of a young capitalist nation, these may include the length of contact with capitalist institutions that one's ethnic community has had, and the wealth of predecessors in prior periods. In the Kenyan context what we mean is that it may be possible that over and above advantages bestowed by present political power, individual opportunities may be somewhat path dependent based on the time of initial contact with capitalism of the individuals community, their initial endowment of wealth (in most cases the amount and quality of land held) and the subsequent

development of capitalism. In an ideal world we would have data from this period in the 1800s as control variables. However since our concern is how politics has been intertwined with economic opportunity, if we can control for the starting point at independence or close to it, it will help us distinguish between what is starting point bias and what has been due to the politics of independent Kenya.

To control for the starting point bias we create five new variables at the district level. The data is obtained from the statistical abstracts of Kenya for various years. At independence most African wealth was held in land. The industrial and service sectors were dominated by Europeans and Asians. To measure the African wealth and its relation to ethnicity we create five land variables that capture land availability and the development of tenurial practices in 1965/66. We also provide a measure of how the availability of land has changed between 1965/66 to 1986. The variables are found in Table 9 with complete descriptions. For land availability we measure not only land availability per capita but also the availability of high quality land in each district. This helps control for the variability of land in each district. This is particularly important in the case of agriculture which in Kenya is dominated by rain-fed agriculture. We also try to capture the degree of capitalist penetration within a district by measuring the proportion of land which was registered and therefore titled in 1965/66 at the district level, as well as the proportion of land that was scheduled and registered at this time. This is a measure of the degree to which private property had penetrated the district. The scheduled land was land previously set aside by the colonial government for the settlement of Europeans for large scale commercial farming. Beyond the wealth of the community in agricultural resources and the degree of capitalist penetration, communities which adopted western education earlier were likely to

be in an advantageous position. We also will proxy for the initial human capital endowment in terms of education by creating a variable of primary school enrollment as a proportion of the district population[16]. In short using these measures we are trying to distinguish the role of inherited wealth (land and human capital) as it varies by ethnicity.

Table 9: Description of Agro-ecological and Human Capital initial endowment Variables

Variable Name	Description
Total Land PC	Per capita land availability at the district level in 1965.
Good land PC	The Kenyan government divides land into three categories. The highest category which allows for high yields under rain-fed conditions accounts for close to 20 per cent of total land. This variable is a measure of the total land in this category in each district divided by total population in 1965.
Reg. land (%)	The proportion of land that was titled in 1965 in the district.
Reg. Sch. land (%)	The proportion of scheduled land that was titled in 1965
LPC change	The change in total land availability between 1965 and 1986
Primary	Primary school enrollments as a proportion of district population in 1965

Because our results for most groups remain the same, we present in table 10 the results just for the full time employed above median income where there are some significant changes. Our results are consistent with only three major changes. Our new controls are not statistically significant with the exception of total land endowment per capita, which is positive and statistically significant. For full time employment[17] larger average land holdings per capita at the district level is positively correlated with getting full time employment. Given that we have controlled for quality, and land was the largest source of wealth, it seems that individuals from wealthier communities have some advantage in obtaining employment. This may have worked through better quality education (which we cannot

[16] While enrollment as a % of the primary school age group would have been a better measure, the proportion of population by age group and district is not reported so we cannot calculate this measure.
[17] this includes for the group below median wage which is also statistically significant at the 10 per cent level.

measure) or better networks. The second major change is that for the Gĩkũyũ, ethnicity is no longer of significance. This may be partially explained by the fact that on average the level of education as measured by the primary enrollment as a proportion of population in 1965 was significantly higher than other groups, and almost twice that of the Kalenjin who were the only other group that had a positive correlation obtaining with full time employment. Lastly self-employed below median income[18] is correlated to the initial educational average at the district level as measured by enrollment.

Table 10: Full Time Employed above Median Primary Income with controls for initial endowments at District Level Results

Variables	Coef	Robust Std. Err	z	P>|z|	RRR	Robust Std. Err
Age	0.511***	0.077	6.630	0.000	1.667	0.128
Age^2	-0.006***	0.001	-6.180	0.000	0.994	0.001
Not married	-1.328***	0.301	-4.420	0.000	0.265	0.080
Education	0.307***	0.034	9.080	0.000	1.359	0.046
Rural Born	0.322	0.582	0.550	0.580	1.379	0.802
Primary	9.668	8.407	1.150	0.250	15798	132816
Good Land PC	-0.372	0.330	-1.130	0.260	0.690	0.228
Total Land PC	0.105***	0.032	3.310	0.001	1.110	0.035
Reg. land (%)	-0.796	0.687	-1.160	0.247	0.451	0.310
Reg. Sch. land (%)	-0.337	0.692	-0.490	0.627	0.714	0.494
LPC Change	-3.095	4.652	-0.670	0.506	0.045	0.211
Local Majority	-1.293***	0.344	-3.760	0.000	0.274	0.094
Gĩkũyũ	0.807	1.035	0.780	0.436	2.241	2.320
Kalenjin	1.509**	0.731	2.060	0.039	4.522	3.306
Jaluo	-0.474	0.665	-0.710	0.476	0.622	0.414
Abaluhyia	-0.589	0.744	-0.790	0.429	0.555	0.413
Akamba	-1.562**	0.674	-2.320	0.020	0.210	0.141
Gi1979	0.516	0.804	0.640	0.521	1.675	1.347
Y1979	-0.328	0.330	-0.990	0.322	0.721	0.238
_cons	-10.048	2.616	-3.840	0.000		

***= p <0.01 **=p< 0.05 *= p<0.1

[18] this was significant at the 10 percent level

As we have noted earlier Kenya is a country of great inequality. This comes out clearly in the very long tails of the distributions for the above median income groups as depicted in Chart 2. Given the long tails it may be the case that getting into the very top of the distribution is dependent on different processes. Given the fact that many of these jobs at the top would also be direct presidential appointees we are also interested in seeing whether the lack of correlation between being Gĩkũyũ and employment in higher level income groups still holds. We do this by re-categorizing our data set into just three groups. The first group is the self-employed with above median income for the high income part of the self-employed. Effectively the top 25 per cent in income terms in this group. The second group is the equivalent group for the full time employed and the third group whom we compare them to, is everyone else. Our results are reported in Table 11[19].

The results are striking. For self-employment after 1979 being a Gĩkũyũ meant that you were 300 times more likely to be in this group than people from other ethnicities. For full time employment our previous results from our first round of calculations that being Gĩkũyũ improves your possibility of employment still hold but the magnitudes have increased. For the top of the distribution being Gĩkũyũ improves your chances by 17. On the other hand at this time the Kalenjin were not more likely to get these positions at the top of the distribution, and being Kalenjin is not statistically significant. Interestingly for the very high income being a Luhyia is statistically significant and improves your chances by 5.6 times. Being in the local majority is no longer disadvantageous in this case. This suggests that, it is through the incorporation of some local elites at the very top of the distribution that the system is then able to bring in "outsiders" for the other well paid positions.

[19] For clarity we only report the results of interest or those that have changes.

Table 11: Self Employed and Full Time Employed above Median Group Income with controls for initial endowments at District Level Results

Self Employed						
	Coef	**Robust Std. Err**	**z**	**P>|z|**	**RRR**	**Robust Std. Err**
Total Land PC	-1.485**	0.680	-2.180	0.029	0.227	0.154
LPC Change	-19.304*	10.699	-1.800	0.071	0.000	0.000
Local Majority	-1.846*	0.951	-1.940	0.052	0.158	0.150
Gĩkũyũ	-0.191	2.115	-0.090	0.928	0.826	1.747
Kalenjin	-13.281***	1.553	-8.550	0.000	0.000	0.000
Jaluo	-0.011	1.501	-0.010	0.994	0.989	1.485
Abaluhyia	-1.623	1.642	-0.990	0.323	0.197	0.324
Akamba	-8.484***	3.106	-2.730	0.006	0.000	0.001
Gi1979	5.949***	1.786	3.330	0.001	383.504	684.764
Y1979	0.086	1.276	0.070	0.946	1.090	1.390
Full Time Employment						
	Coef	**Robust Std. Err**	**z**	**P>|z|**	**RRR**	**Robust Std. Err**
Total Land PC	0.047**	0.020	2.310	0.021	1.048	0.021
LPC Change	-4.943	4.508	-1.100	0.273	0.007	0.032
Local Majority	-0.753	0.466	-1.610	0.107	0.471	0.220
Gĩkũyũ	2.876***	1.155	2.490	0.013	17.738	20.486
Kalenjin	1.068	0.973	1.100	0.273	2.910	2.832
Jaluo	0.120	1.030	0.120	0.907	1.128	1.162
Abaluhyia	1.729**	0.909	1.900	0.057	5.635	5.123
Akamba	0.483	0.961	0.500	0.615	1.622	1.558
Gi1979	1.366	1.088	1.260	0.209	3.921	4.266
Y1979	0.962**	0.505	1.910	0.057	2.618	1.322

***= p <0.01 **=p< 0.05 *= p<0.1

Healing a Divided Nation

Our results highlight a number of important things, affirming much of what we have not been able to show empirically in the past but also raising or challenging some myths. First it is clear that Kenya is horizontally unequal and ethnicity plays an important part in obtaining economic opportunities at the top of the distribution.

For all the premium sectors education as we expect is clearly important. The opportunity to education therefore must be equally available to allow individuals from all corners of the country as a starting point for joining the highest paid sectors.

For the high category self-employed sector, political power does not seem to be important except maybe in the negative sense in driving young Agĩkũyũ to this sector after Moi took power. Our results for the tail ends of the distribution suggest that this was a very strong effect. For older Agĩkũyũ there entry into this sector is not significantly better than other groups. These results challenges the myth of the Agĩkũyũ culture of independent industriousness which is often used to justify their hold on businesses in the country.

For Full time above median income employment clearly political power is important. The ethnicities of Kenya's past two presidents do well here, which is what we would expect. Further we show that post 1979 the Gĩkũyũ advantage is insignificant on Moi taking power. It is also the case that when you take the initial endowments at district level in terms of human capital and land, the Gĩkũyũ do not seem to have much of an advantage in the group as a whole, but do in terms of entry into the very top of the group as shown by our test for the upper tails of the distribution.

Surprisingly being in a local majority is not advantageous for employment. This suggests that in fact "outsiders" get employment. This is consistent with our model with a highly centralized government being the dominant employer and employees being appointed from the center. All large ethnicities that have not had a president do badly. Our test of the tails suggests that local elites do however get

incorporated at the very top of the distribution, which is consistent with our model of collaborating ethnic elites.

For the below median income employment, what is clear is that, ethnicity plays no role. Local majority is negatively related to self-employment probably due to the fact that local majorities probably have the most access to land. So if they are to be self-employed farming is probably their first option. Since ethnicity seems to play no role it then begs the question of why should the lower income classes accept the ethnic charade purported by the elites when they seeming gain little at least in terms of employment and income from it.

Our work points to some interesting findings. We confirm the importance for a broad group of people in the top half of the income distribution. That is ethnicity matters for economic outcomes of those in the top half. We would argue that for this group these are the rewards to being an ethnic citizen as opposed to being a Kenyan citizen. On the other hand those in the lower income groups do not get sorted by ethnicity. This flies in the face of the modernization literature of both left and right variant. It is the very groups who are expected to be at the forefront of modernization and therefore not dependent on ethnicity who are most dependent on it, while it does not matter for those below. Ethnicity trumps class for the elites.

We believe that the challenge facing Kenya first and foremost is that of nationhood. At present Kenya is not yet a nation and citizens do not therefore hold politicians accountable on behalf of the nation but rather do so on behalf of ethnic communities (Githinji and Holmqusit 2011). In this paper we show why a significant number of citizens may do this. We argue it is not for some innate cultural

reason but because there are returns to ethnicity for ethnic elites. This is at some level a result of the large horizontal inequality particularly at the top end of the distribution. For Kenyans to transcend ethnicity what must occur is the end of returns to ethnicity such as those we have detailed above. This would require a large restructuring in the political economy of Kenya to ensure that people across different ethnicities have equal access to the most lucrative opportunities.

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