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THE PARADOX OF GROWTH: ESCALATING POOR LIVING CONDITIONS AMONG KENYAN HOUSEHOLDS; SOCIO-ECONOMIC DRIVERS AND POLICY GAPS

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ABSTRACT

Kenya has experienced stable economic growth over the past two decades, with Gross Domestic Product (GDP) growing at an average annual rate of approximately 5% prior to the COVID-19 pandemic and improving strongly thereafter. Despite this growth, a large proportion of Kenyan households keep on to experience poverty, food insecurity, unemployment, inadequate housing, and inadequate access to quality healthcare and education. This evident contradiction, commonly referred to as the paradox of growth, raises significant questions concerning the extensiveness and sustainability of economic growth in Kenya. The paper examines the socio-economic drivers that contribute to deteriorating household living conditions in spite of positive macroeconomic performance and identifies the policy gaps that perpetually hinder general development.

This paper draws upon existing literature, development theories, and empirical evidence from Kenya and comparable developing economies to study the relationship between economic growth and household welfare. Key socio-economic drivers include income inequality, unemployment and underemployment, inflation, regional disparities, rapid urbanization, corruption, weak institutional governance, climate-related shocks, public debt, and uneven access to useful resources. Even though Kenya has implemented various poverty reduction and social protection programmes, there are several challenges: inadequate policy coordination, weak accountability, and resource constraints have limited their effectiveness. Consequently, the benefits of economic growth remain concentrated among a relatively small segment of the population, while many households continue to experience declining living standards. The study concludes that economic growth alone cannot assure improvements in household welfare without planned policies aimed at promoting reasonable income distribution, employment creation, institutional effectiveness, and inclusive social protection.

KEYWORDS: Economic growth, household welfare, poverty, inequality, inclusive growth, socio-economic drivers, policy gaps, unemployment, sustainable development.

1.0 INTRODUCTION

Economic growth has traditionally been regarded as a main indicator of national progress because it reflects increases in the production of goods and services within an economy. Classical and neoclassical economic theories argue that sustained economic growth increases employment opportunities, raises household incomes, enhances government revenue, and eventually improves living standards (Solow, 1956). However, contemporary development literature increasingly recognizes that economic growth alone does not necessarily translate into improving welfare for all members of society, particularly where growth is unequally distributed(Stiglitz, Sen, & Fitoussi, 2009). Kenya presents an important case for examining this paradox. Over the last two decades, the country has recorded relatively strong economic performance compared to many countries in Sub-Saharan Africa. According to the World Bank (2025), Kenya's economy has established resilience through investments in infrastructure, agriculture, digital technology, financial inclusion, and services. Similarly, the Kenya National Bureau of Statistics(KNBS2025) reports continued expansion in sectors such as information and communication technology, finance, construction, and transport. Despite these positive macroeconomic indicators, millions of Kenyan households keep on to face perpetual economic hardship (World Bank 2025).

Household welfare indicators disclose a different reality from cumulative economic statistics. Poverty remains pervasive in both rural and urban areas, youth unemployment continues to rise, food prices have increased extensively, affordable housing remains inaccessible for many families, and healthcare costs continue to leave considerable financial burdens on households (KNBS, 2025). Income variation remains one of the most persistent development challenges in Kenya, where economic gains are inexplicably concentrated among higher-income groups while weaker populations experience contact or declining real incomes (United Nations Development Programme [UNDP], 2023).

Rapid population growth has further intensified demands on employment opportunities, public infrastructure, education systems, healthcare services, and housing. Kenya's urban centres have expanded hastily, which has led to the growth of informal settlements that are characterized by overcrowding, poor sanitation, insecure housing, and inadequate access to basic public services (UN-Habitat, 2022). As a result, urbanization has not always translated into improved household welfare, particularly among low-income households.

Inflation has also come up as a major determinant of declining household welfare. Rising prices of food, fuel, electricity, transport, and other essential commodities have significantly reduced the purchasing power of households, especially among low-income earners. Even though nominal incomes may increase over time, inflation often erodes real income, making it gradually more difficult for households to meet their basic needs (International Monetary Fund [IMF 2024).

The labour market also presents important challenges. While Kenya's economy continues to expand, employment creation has not been equal with population growth and labour force increase. A large proportion of employed individuals work within the informal sector, where earnings are generally low, employment security is limited, and social protection is minimal (International Labour Organization [ILO] 2024). As a result, economic development has not generated sufficient decent employment opportunities that are capable of lifting households out of poverty. Climate change has also become another important contributor to worsening household welfare. Habitual droughts,floods and changing rainfall patterns have negatively affected agricultural production, food security, and rural livelihoods. Given that agriculture continues to employ an important proportion of Kenya's population, climate-related shocks disproportionately affect poor households that depend directly on agricultural income(Food and Agriculture Organization [FAO] 2023).

Institutional weaknesses further make Kenya's development trajectory more difficult. Corruption, inefficient public expenditure, weak policy implementation, and governance challenges have reduced the efficiency of government interventions intended to advance household welfare. Although Kenya has introduced several poverty reduction strategies, including Vision 2030, the Bottom-Up Economic Transformation Agenda(BETA), the National Social Protection Policy, and various cash transfer programmes, implementation gaps have limited their overall shock on dropping poverty and disparity(Government of Kenya 2023). The paradox of growth therefore reflects a disconnect between macroeconomic success and microeconomic realities experienced by ordinary households. While national income perpetualy to grow,many families knowledge on the way out purchasing power,unstable employment,food insecurity, and increasing vulnerability to economic shocks.This cutoff raises important policy questions concerning the details, sustainability, and quality of economic growth in Kenya. This paper seeks to examine the socio-economic factors that explain why household living conditions perpetuality to deteriorate in spite of continued economic growth. Besides, it investigates the policy gaps that have prevented economic growth from translating into broad-based improvements in household welfare.

Understanding these dynamics is important for designing policies that endorse inclusive growth, reduce poverty and inequality, and achieve the aspirations outlined in Kenya Vision 2030 and the Sustainable Development Goals (United Nations, 2015).

Literature Review

Introduction

The relationship that occurs between economic growth and household welfare has involved significant attention among economists, policymakers, and development scholars. While traditional economic theories argue that sustained economic growth should improve living standards through increased employment, higher incomes, and expanded public investment, evidence from many developing countries demonstrates that growth does not automatically interpret improved household welfare. Kenya exemplifies this paradox, having recorded moderately strong economic growth over the past two decades, whereas many households continue to experience poverty, unemployment, food insecurity, and widening inequality. The World Bank's Kenya Poverty and Equity Assessment (2023) noted that although Kenya has reduced poverty over time, the responsiveness of poverty reduction to economic growth has destabilized, meaning that the benefits of growth have not been shared equally across the population. The literature review examines existing studies under major themes relevant to the study, which include economic growth and household welfare, poverty dynamics, income inequality, unemployment, inflation, governance, urbanization, climate change, and policy interventions.

Economic Growth and Household Welfare

Economic growth refers to the sustained increase in a country's production of goods and services over time and is commonly measured using Gross Domestic Product(GDP). According to Classical economists they argued that growth increases national income, expands employment opportunities and improves household welfare(Smith 1776; Solow 1956). However, from the recent development literature, scholars argue that economic growth alone is insufficient unless it is inclusive. According to Stiglitz, Sen, and Fitoussi (2009) argued that GDP growth should not be considered the sole indicator of growth because it does not adequately capture unfairness, access to public services, environmental sustainability, or household well-being. Kenya has constantly recorded moderate economic growth, which is supported by agriculture, financial services, information technology, and telecommunications. Nevertheless, many households continue to struggle with dilapidated purchasing power, limited employment opportunities, and an increase in the cost of living. According to the World Bank (2023), Kenya's growth has not benefited all income groups equally, and spatial as well as income disparities remain substantial. Similarly, the Kenya National Bureau of Statistics (KNBS) reported that significant inequalities persist across counties, urban and rural areas, and socio-economic groups despite improvements in several national development indicators. These inequalities affect accessibility to education, healthcare, employment, housing, and other basic services.

Poverty and Household Living Conditions

Poverty remains one of Kenya's most persistent socio-economic challenges. The World Bank (2023) reports that while poverty declined significantly before the COVID-19 pandemic, progress slowed and was later upturned by droughts, rising food prices, and economic shocks. The report emphasizes that economic growth has become less effective at reducing poverty level; the study highlights the need for more inclusive policies. The United Nations Development Programme (UNDP) also argued that poverty has extended beyond low income to include scarcity in education, healthcare, housing, security, and opportunities for participation in economic life. Human development therefore requires unbiased access to social and economic opportunities in spite of economic growth.

According to UNDP, household living conditions are commonly measured using indicators such as food security, quality housing, education, healthcare access, sanitation, employment, and income. Poor households often face multiple challenges which makes it difficult for economic growth alone to improve their welfare.

Income Inequality and Inclusive Growth

According to Kuznets (1995), income inequality is widely recognized as one of the major reasons why economic growth fails to improve household welfare. He proposed that disparity initially rises during development before declining as economies mature. However, existing evidence indicates that variation can persist unless governments deliberately reallocate opportunities and resources.

According to the KNBS Inequalities in Well-being in Kenya Report (2023), documents found out that their is persistent inequalities across counties and population groups. The report highlights disparities in education, employment, access to infrastructure, health services, and living standards; it demonstrates that development outcomes remain unequally distributed across the country. The World Bank similarly argues that reducing inequality requires expanding productive employment, improving access to quality education and healthcare, which strengthen social protection, and promoting equitable access to economic opportunities.

Inflation and Household Welfare

Inflation directly affects household welfare by reducing purchasing power. Make food prices to rise, fuel, electricity, transport, rent, and healthcare to rise, which affects low-income households because these expenditures consume a larger share of their income. Economic studies consistently show that if there is prolonged inflation, it reduces real wages and household consumption. Food inflation is mainly destructive in Kenya because poor households apportion an important amount of their income to food expenditure. Therefore, even where nominal incomes increase, households may experience declining real living standards if inflation exceeds income growth. Kenya reports (2023)

Governance, Institutions and Corruption

According to the UNDP)Institutional quality considerably influences whether economic growth translates into improved household welfare or not. Good governance promotes efficient public expenditure, accountability, transparency, effective service delivery, and equitable resource distribution. The UNDP Human Development Report argues that whenever there is weak governance, corruption, and poor management of public resources, it undermines poverty reduction efforts by diverting resources away from essential public services and infrastructure. These institutional weaknesses hinder the effectiveness of government programmes intended to improve household welfare. On the other hand, numerous governance studies conclude that countries with stronger institutions tend to experience more inclusive growth and better social outcomes than countries with weak institutional capacity, which always performs poor.

Kenya Vision 2030 and the Bottom-Up Economic Transformation Agenda (BETA)

According to the Government of Kenya (2007) states that Kenya Vision 2030 remains the country's long-term development blueprint, aiming to transform Kenya into a newly industrializing middle-income economy with a high quality of life for all citizens. The current Fourth Medium-Term Plan (2023–2027) aligns with the Bottom-Up Economic Transformation Agenda (BETA), which prioritizes agriculture, healthcare, affordable housing, digital innovation, and micro, small, and medium enterprises (MSMEs). BETA emphasizes reducing the cost of living, creating employment, expanding social protection, and promoting equitable income distribution. Despite these ambitious policy objectives, recent national assessments indicate that progress toward several Sustainable Development Goals remains uneven. Although improvements have been recorded in some sectors, poverty, food insecurity, unemployment, and regional inequalities perpetually constrain household welfare.

Theoretical Review

Introduction

This paper is guided by four major theories: Modernization Theory, Human Capital Theory, Structuralist Theory, Keynesian Theory, Dependency Theory, and Inclusive Growth Theory. These theories explain different dimensions of the relationship between economic growth and household living conditions.

Modernization Theory

Modernization Theory emerged during the 1950s and 1960s as one of the earliest development theories. is closely associated with Walt Whitman Rostow(1960), who argued that countries develop through successive stages of economic transformation from traditional societies to modern industrial economies.According to Rostow (1960), economic growth results from industrialization, technological advancement, investment, education, improved infrastructure, and institutional development. According to him, as economies modernize, employment opportunities expand, production increases, which leads to household incomes rising, and poverty gradually declines. The theory assumes that economic growth eventually benefits all members of society through the "trickle-down effect," whereby wealth generated at higher levels of the economy eventually reaches poorer households through the creation of employment, investment, and through market expansion. In Kenya, modernization is reflected in investments in roads, railways, digital infrastructure, financial technology, manufacturing, and urban development. Government initiatives such as Vision 2030 and the Bottom-Up Economic Transformation Agenda (BETA) are largely based on modernization principles which aim at accelerating industrialization and economic transformation. However, critics argue that the trickle-down assumption has not always materialized. Despite sustained GDP growth, many Kenyan households perpetually experience unemployment, rising costs of living, inadequate housing and income inequality. This suggests that modernization alone does not guarantee comprehensive development unless accompanied by equitable distribution of economic resources (Todaro & Smith, 2022)

Human Capital Theory

Human Capital Theory was developed by Theodore Schultz (1961) and later expanded by Gary Becker(1964). These scholars argued that education, training, skills, experience, and health constitute capital that increases workers' production and earnings. According to Becker (1964), investment in education and healthcare helps in improving labour productivity, increases employment opportunities, and raises household incomes. On the other hand, countries that invest heavily in human capital experience sustainable economic growth and improved living standards. In Kenya, the government invests in free primary education, competency-based education reforms, technical and vocational education and training(TVET), and universal health coverage; all of these are intended to strengthen human capital and enhance production. However, unemployment among educated youths still remains at per. Many graduates face challenges securing formal employment because labour market demand has not expanded at the same pace as educational attainment. This mismatch shows that investment in education alone cannot improve household welfare without proper employment creation and economic diversification. The World Bank (2023) emphasizes that human capital development still remains central to Kenya's long-term economic transformation, but greater emphasis should be placed on skills that are aligned with labour market needs.

Structuralist Theory

Structuralist Theory emerged through the work of Raúl Prebisch (1950) and other development economists who argued that poverty in developing countries comes from structural economic constraints rather than individual shortcomings. The theory argues that developing economies often depend heavily on primary commodity production, possess weak industrial sectors, experience unequal land ownership, and face limited technological advancement. These structural weaknesses prevent economic growth from benefiting the majority of the population. Applied to Kenya, Structuralist Theory explains why GDP growth coexists with widespread poverty. Although sectors such as finance, telecommunications, and construction have extended rapidly, agriculture, which employs a huge share of the population, continues to face low production, climate risks, and limited value addition. On the other the informal sector remains dominant, which means it provides employment that is often characterized by low wages and limited social protection. Structuralists argued that governments should promote industrialization, agricultural modernization, value addition, employment creation, and equitable resource distribution rather than relying solely on market forces.

Keynesian Theory

The Keynesian Theory was developed by the British economist John Maynard Keynes (1936) in the General Theory of Employment, Interest and Money. The theory emerged during the Great Depression and challenged the classical belief that markets naturally achieve full employment. Keynes argued that inadequate aggregate demand is the primary cause of unemployment, which slows economic growth. As a result, he maintained that government should involve itself through fiscal and monetary policies, which are necessary to stabilize the economy, stimulate production, and create employment. According to Keynesian economics, when there is increased government expenditure on infrastructure, education, healthcare, agriculture, and social protection, it raises aggregate demand, encourages private investment, creates employment opportunities, and increases household incomes. As employment expands, households should experience improved purchasing power, a reduction in poverty, and better living standards. On the other hand, during periods of weak demand, unemployment rises, production declines, and household welfare deteriorates. The Keynesian view is particularly relevant to Kenya because the government plays a central role in promoting economic development through investments in roads, affordable housing, healthcare, agriculture, education, and social protection programmes. Regardless of these investments, many households perpetually experience rising costs of living, unemployment, and declining purchasing power. This demonstrates that while public expenditure contributes to economic growth, its effectiveness will depend on efficient implementation, careful fiscal management, and equitable distribution of benefits. Keynes (1963) further argues that fiscal policy should be counter-cyclical. Meaning that during economic downturns, governments should increase public expenditure and motivate employment, whereas during periods of rapid expansion, governments should moderate spending to avoid inflationary pressures. In Kenya, fiscal policies under Vision 2030 and the Bottom-Up Economic Transformation Agenda (BETA) seek to encourage productive sectors and generate employment, although concerns remain regarding public debt, inflation, and implementation efficiency.

Relevance to the Study

Keynesian Theory(1963) provides an important framework for explaining how government expenditure, creation of employment, and macroeconomic stabilization influence household welfare. The theory supports this study because it demonstrates that sustainable economic growth should improve living conditions only when it is accompanied by effective demand, productive public investment, and inclusive employment opportunities.

Inclusive Growth Theory emerged as an institutional concept that evolved over several decades through international development organizations and development economists in response to evidence that rapid economic growth often coexists with persistent poverty and inequality. The theory argues that economic growth generates opportunities that are accessible to all members of society while ensuring that it is equitable to distribution of its benefits.

Unlike traditional growth theories that focus primarily on increasing GDP, Inclusive Growth Theory emphasizes employment creation, equitable income distribution, financial inclusion, access to education and healthcare, gender equality, and social protection. It therefore considers economic growth meaningful only when it improves the welfare of the majority of the population rather than a small portion of high-income individuals.
Recent evidence from Kenya indicates that although the country has maintained positive economic growth, quite a number of households still remain excluded from economic opportunities due to unemployment, regional inequalities, limited financial access, and unequal ownership of productive assets. According to research done by Mutiiria, Nzomoi, and Kamoni (2024), they concluded that financial development contributes positively to inclusive growth, particularly when accompanied by human capital development and macroeconomic stability. Inclusive Growth Theory also recognizes that, to reduce poverty, it is a requirement to improve accessibility of productive resources, quality education, healthcare services, technology, financial services, and decent employment. Governments therefore play an important role in designing policies that will ensure marginalized populations participate meaningfully in economic growth.

Dependency Theory

Dependency Theory it emerged during the 1960s through the works of scholars such as Andre Gunder Frank (1967), Raúl Prebisch (1950), and FernandoHenriqueCardoso(1979). This theory demonstrates that underdevelopment in many developing countries is as a results from unequal historical and economic relationships that exist between developed and developing nations. Dependency theorists argued that developing countries frequently depend on the export of primary commodities while importing expensive manufactured goods and technology. Due to this unequal relationship, it limits industrial development, weakens domestic production, increases external debt, and constrains sustainable economic transformation. Within the Kenyan context, Dependency Theory helps to explain why economic growth may occur without broad improvements in household welfare. Heavy reliance on imported manufactured goods, external borrowing, commodity exports, and global market fluctuations exposes the economy to external shocks that disproportionately affect poor households. At the same time, domestic structural inequalities and unequal ownership of productive assets may prevent the benefits of growth from reaching vulnerable populations.

RESEARCH METHODOLOGY

Research Design

This paper adopted a descriptive desktop research design based on secondary data analysis. A desktop research design involves the systematic collection, review, and analysis of existing quantitative and qualitative information obtained from credible national and international sources. According to Creswell and Creswell (2018), desktop studies are appropriate where reliable secondary data exist and where the objective is to analyse trends, relationships, and policy outcomes. The descriptive research design enabled the study to examine the relationship between economic growth and household welfare while identifying the socio-economic factors and policy gaps influencing living conditions in Kenya. This approach also facilitated comparison of evidence from government reports, international development agencies, and peer-reviewed academic literature.

Data Analysis Techniques

This paper uses both qualitative and descriptive statistical analysis to examine the relationship between economic growth and household living conditions in Kenya. Qualitative analysis was used because it was important in reviewing government policy documents, peer-reviewed journal articles, institutional reports, and publications from international organizations. This approach enabled the identification of recurring themes, policy patterns, and socio-economic drivers helps in implementing solutions to challenges affecting household welfare.

Descriptive statistical analysis was important in this paper; it was used to interpret secondary quantitative data obtained from the Kenya National Bureau of Statistics (KNBS), the World Bank, the International Monetary Fund (IMF), the United Nations Development Programme(UNDP), and other credible institutions. Statistical indicators such as percentage averages, growth rates, poverty levels, unemployment rates, inflation trends, and income distribution measures were analyzed to establish relationships between macroeconomic performance and household welfare(Creswell & Creswell,2018).The findings were organized into thematic categories corresponding to the objectives of the study, allowing comparison across different studies and policy documents

Econometric Model

Although this study was primarily based on secondary data and documentary analysis, the relationship between economic growth and household welfare was represented using the following conceptual regression model:

$$HW = \beta_0 + \beta_1 GDP + \beta_2 UNEMP + \beta_3 INF + \beta_4 INEQ + \beta_5 GOV + \beta_6 EDU + \beta_7 HEALTH + \beta_8 SP + \varepsilon$$

Where

HW = Household Welfare.

GDP = Economic Growth.

UNEMP = Unemployment Rate.

INF = Inflation Rate.

INEQ = Income Inequality.

GOV = Governance Quality.

EDU = Education Level.

HEALTH = Access to Healthcare.

SP = Social Protection Programmes.

β_0 = Constant.

β_1–β_8 = Regression coefficients.

ε = Error term.

This model illustrates that household welfare is influenced by several socio-economic and institutional variables rather than economic growth alone.

This is the justification of the Analytical Model

The analytical model may be referred to as a model that recognizes that economic growth alone cannot adequately explain household welfare outcomes. Instead, there are multiple socio-economic variables jointly that influence living conditions. which Included unemployment, inflation, inequality, governance, education, healthcare, and social protection, that enables a more comprehensive understanding of why some households continue to experience deteriorating living standards in spite of sustained national economic growth. The framework therefore aligns with the Inclusive Growth Theory, which emphasizes that development should be measured by improvements in people's quality of life rather than increases in GDP alone.

Limitations of the Study

Since this paper employed a desktop research design that was based entirely on secondary data, several limitations were identified. First, the paper depended on previously published data from government institutions, international organizations, and peer-reviewed journals. On the other hand, the researcher had no control over the methods used in collecting the original data. Differences in research designs, sampling techniques, definitions, and reporting periods among various sources could affect the comparability of findings (Creswell & Creswell, 2018).

Second, some socio-economic indicators were reported for different years because institutions publish data according to different schedules. Although the paper relied on the most recent available information, variations in publication dates may influence direct comparisons across datasets.

Third, the paper relied heavily on national statistics, which mask important regional,county-level, and household-level disparities. Kenya exhibits important differences in poverty levels, employment opportunities, infrastructure, and access to public services across counties. for that reason, national averages may not fully reflect local realities.

Fourth, because the paper was based on documentary evidence, it did not include primary data collected directly from households, policymakers, or development practitioners. As a result, the study could not capture personal experiences or perceptions regarding the impact of economic growth on household welfare.

Regardless of these limits, the use of multiple highly regarded sources and triangulation of evidence improved the reliability and credibility of the findings.

EMPIRICAL EVIDENCE AND FINDINGS

Introduction

This section presents empirical evidence on the paradox of economic growth and weakening household living conditions in Kenya. It emphasizes evidence from the Kenya National Bureau of Statistics (KNBS), the World Bank, the International Monetary Fund (IMF), the United Nations Development Programme (UNDP), and peer-reviewed studies to observe whether Kenya's economic growth has translated into improved household welfare. The analysis focuses on economic growth, poverty, unemployment, inflation, inequality, and household living conditions while relating the findings to the theoretical and literature reviews presented in previous chapters.

Economic Growth Performance in Kenya

Over the past two decades, Kenya has maintained relatively strong economic growth compared with many countries in Sub-Saharan Africa. Which has been driven by agriculture, financial services, tourism, transport, information and communication technology (ICT), manufacturing, and construction. According to the World Bank, Kenya's real Gross Domestic Product (GDP) grew by4.5- 5.6% in 2023 following recovery in agriculture and services after improved weather conditions. However growth alone has been insufficient to generate inclusive development because employment creation has lagged behind population growth, while inflation and rising cost continue to reduce household purchasing power(World Bank 2024)

Poverty Trends and Household Welfare

Even though Kenya has made progress in reducing poverty over the long term, poverty still remains a major challenge for many households.A recent study conducted by the World Bank (2024) indicates that a substantial proportion of Kenyans continue to live below international poverty thresholds, which demonstrates that economic growth has not benefited all segments of society equally. The perpetual poverty despite sustained GDP growth reflects unequal access to productive assets, education, employment opportunities, healthcare, and financial services. Rural households remain particularly susceptible because they depend heavily on agriculture, which is increasingly affected by climate variability and changing weather patterns each and every year. Urban poverty also expands due to rapid urbanization, increasing housing costs, informal employment, and rising food prices. On the other hand, household welfare remains constrained despite continued national economic expansion.

Employment and Labour Market Outcomes

Employment is one of the most important channels through which economic growth may improve household welfare. Nevertheless, empirical evidence indicates that Kenya has experienced relatively slow formal employment creation compared with labour force growth. Youth unemployment and underemployment remain persistent. Although overall unemployment rates remain moderate by international standards, underemployment and informal employment continue to affect a large proportion of workers. World Bank(2026)assessments note that employment growth declined between 2023 and 2024, and only a small share of jobs are in the formal sector. Many workers therefore earn stumpy and uneven incomes despite being economically active. This situation contributes to the persistence of the "working poor," where employment alone is insufficient.

RESEARCH GAPS, POLICY GAPS, CONCLUSIONS AND POLICY RECOMMENDATIONS

Research Gaps

Despite the substantial body of literature on economic growth, poverty, and development in Kenya, several important gaps remain.

Limited Integration of Economic Growth and Household Welfare

Amartya Sen (1999) Sabina Alkire &James Foster (2019) argued that development should be assessed using multidimensional welfare indicators rather than GDP, yet many studies fail to integrate these dimensions. Most previous studies have examined economic growth and poverty separately. Numerous studies analyse GDP growth, inflation, unemployment, or poverty independently without comprehensively examining how these variables interact to influence household living conditions. This paper addresses this gap by integrating macroeconomic growth indicators with household welfare outcomes within a single analytical framework.

Inadequate Focus on Multidimensional Household Welfare

Simiyu and Swilling (2019) demonstrate that deprivation in Kenya extends beyond income. Existing studies frequently measure welfare using income or poverty rates alone. However, household welfare extends beyond income to include education, healthcare, food security, housing quality, employment, sanitation, and access to essential public services.

Limited County-Level Analysis

Simiyu Caincross & Swilling (20219) emphasized that poverty and living conditions differ across regions, highlighting the need for county-specific studies rather than relying solely on national analysis. Most empirical studies rely on national averages that conceal significant disparities among Kenya's counties. Future studies should investigate county-specific determinants of household welfare to inform localized policy interventions.

Limited Longitudinal Studies

Most Kenyan studies rely on cross-sectional data, making it difficult to understand how living conditions evolve over time. Studies analyse relatively short periods of economic performance. Therefore, there is a need for longitudinal studies to examine how changes in economic growth influence household welfare over extended periods. Such studies would improve understanding of the long-term relationship between economic growth, inequality, employment, and poverty reduction. Market (2024)

Insufficient Analysis of Institutional Quality

Daronacemoglou, James.A.Robinson2012,North(1990): these authors demonstrated that institutions are a fundamental key to development, yet many empirical studies focus on GDP growth without adequately examining institutional quality. Although governance is frequently mentioned in development literature, relatively few Kenyan studies comprehensively examine how institutional quality influences the efficiency of economic growth in improving household welfare. Future studies therefore should investigate the roles of corruption control, accountability, public financial management, judicial effectiveness, decentralization, and policy implementation.

Policy Gaps

The study identified several policy gaps that continue to weaken the relationship between economic growth and improvements in household welfare.

Weak Policy Implementation

They found that Kenya experiences significant challenges in translating policies into implementation due to weak institutional capacity, delayed funding, and poor monitoring systems. Even though it possesses numerous well-designed development strategies, which include Vision 2030, the Bottom-Up Economic Transformation Agenda (BETA), and various poverty reduction programmes. Glengard (2007) & Warinda (2019)

Limited Employment-Centred Growth

Stiglitz (2012) & Dani Rodrik (2016) argued that Economic growth does not necessarily create sufficient quality jobs, resulting in jobless growth and persistent poverty despite GDP expansion. Many new jobs remain concentrated within the informal economy, where earnings are relatively low and employment security is limited.

Weak Social Protection Coverage

Although Kenya has expanded social protection programmes, such as the cash transfer programme and Inua Jamii.Coverage remains limited, particularly among informal workers and vulnerable households; this leaves many households exposed to economic shocks despite sustained economic growth. World Bank (2023), International Labour Organization (ILO, UNICEF Kenya (2022), Ouma and Adesina 2019

Persistent Regional Inequalities

Economic development remains uneven across counties.

Regional disparities in income, infrastructure, education, and access to public services continue to undermine inclusive growth, resulting in persistent poverty across several counties despite national economic expansion. KNBS(2023) KIPPRA(2022).

Climate Change Adaptation

Climate change has reduced agricultural productivity, increased food insecurity, and weaken house hold livelihood. Previous studies suggest that inadequate adaptation measures limit the extent to which economic growth translates into improved living conditions. Intergovernmental panel on Climate Change (IPCC, 2023); World bank (2023)Climate-related shocks continue to undermine agricultural productivity, household income, and food security. Current adaptation policies remain insufficient relative to increasing climate risks. Greater investment in irrigation, climate-smart agriculture, drought preparedness, water resource management, and early warning systems is necessary to strengthen household resilience.

Relationship Between Findings and Theory

Findings from different authors support Inclusive Growth Theory, which argues that economic growth should benefit all members of society rather than a limited proportion of individuals with high incomes. Similarly, Keynesian Theory is supported through evidence that government investment in productive sectors and employment creation remains essential for improving household welfare. Finally, Structuralist Theory explains why structural inequalities continue to prevent many households from benefiting fully from economic growth despite positive macroeconomic performance.

CONCLUSIONS

This paper examined the paradox of sustained economic growth alongside escalating poor living conditions among Kenyan households. The evidence demonstrates that although Kenya has maintained positive economic growth over the last two decades, improvements in household welfare have been uneven. Growth has been accompanied by persistent poverty, unemployment, underemployment, income inequality, high costs of living, regional disparities, climate-related shocks, and governance challenges. These structural constraints have limited the extent to which macroeconomic gains translate into improved living standards.

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