

# Promoting Resilience in Rural Communities in Kenya:

## How the Village Nut Company Uses Inclusive Employment to Support its Growth and its Workers

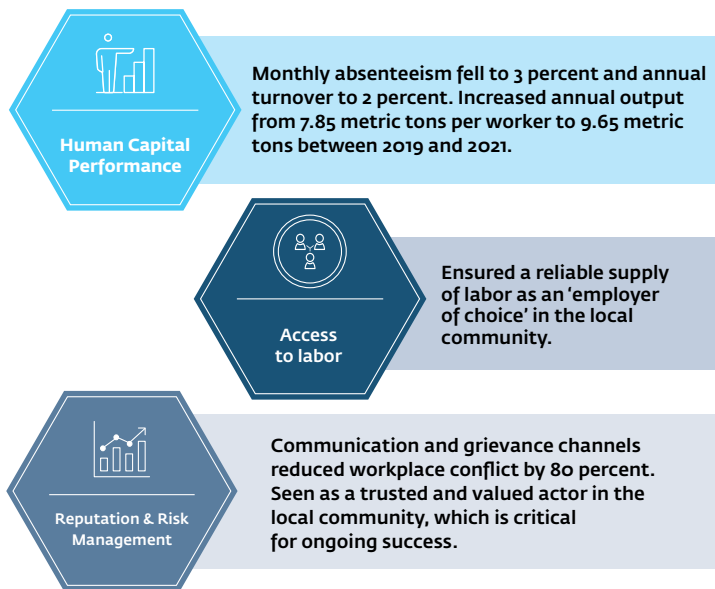
The migration of young people from rural areas to urban centers poses a challenge to many companies with operations in remote locations. The Village Nut Company, a macadamia nut processing business in rural Kenya, used inclusive employment practices to create local economic opportunities and meet its labour needs, while also building the incomes and resilience of seasonal workers.<sup>1</sup>



### The Challenge

Many rural young people in Kenya believe that agricultural work is hard, poorly paid, and insecure, and as a result they migrate to urban centers.<sup>ii,iii</sup> This means many rural companies face skill and labor shortages, especially during the harvest season when there is a spike in the demand for labor. The founders of the Village Nut Company recognized that to build a successful enterprise, and benefit the local community, they needed to offer working conditions that would be an attractive alternative to migration and would also distinguish the company from growing number of local competitors.

### Benefits for Business



### Benefits for Workers

Offers formal and secure employment to workers, including young people, which is very rare in rural Kenya. Builds workers' financial resilience by facilitating alternative incomes sources of income in the off-season.

### Inclusive Employment Solutions



Creating Markets, Creating Opportunities



**Industry:** Macadamia nut processor

**Operation:** Sources and processes nuts from more than 6,000 smallholder farmers in rural Kenya.

**Base of the Pyramid Workforce:** Twenty permanent members of management, 25 full time essential services staff, and 120 seasonal workers. More than 65% of workers are under age 35. Women comprise 45% of the workforce. 95 percent of the company's workers live within three kilometers of its factory.



## How the Village Nut Company puts Inclusive Employment Solutions into Practice



### **Participation:** Reduce entry barriers

In 2017, the Village Nut Company opened a childcare facility for workers and the wider community. The center was established following a staff survey which found that female workers often worried about their informal childcare arrangements, such as leaving their children with relatives.



### **Advancement:** Upskill

The Village Nut Company supports seasonal workers' career advancement and path to leadership through training and formal and informal one-to-one appraisals. Management also conducts regular reviews of the company's organizational structure to identify advancement opportunities that suit the skills and ambitions of workers.

In-house training programs include welding, driving, machine operation, and computer technology, as well as teamwork, leadership, and professional ethics. These enable seasonal workers to advance to roles with more responsibility and higher pay, as well as permanent positions in the company. To maximize accessibility, the company translates training content so that workers can learn in their first language.

Management also identifies high-potential workers, including those with only a primary school education, and provides them with internal and external training to become supervisors and managers, as well as encouragement to qualify to apply for higher positions, when available.

The company also builds local leadership and capacity among its future workforce by providing tours for local school children, in-school leadership training programs, mentoring for high-school leavers, and paid internships.

A total of 27 percent of Village Nut Company's current permanent workers were initially employed as seasonal workers.



### **Advancement:** Build capacity for self-employment

The Village Nut Company offers training for seasonal workers to develop skills to start a small business or make alternative income during the off-season through baking or making yoghurt or soap. In 2017, several women who were trained in brick-making by the company worked on the construction of its childcare facility.



### **Resilience:** Enhance job and income stability

Seasonal workers comprise nearly 70 percent of the company's workforce, and they need to find an alternative income for four to six months per year when the factory is not operating. The Village Nut Company employs several strategies to provide stable incomes for these workers.

All staff, including seasonal workers, receive an additional month's salary in the years when the company turns a profit. This provides a financial buffer in the off-season. Where possible, seasonal workers are offered maintenance and cleaning work for the company during the off-season. On average, seasonal staff work around 80 hours per month during this period. The goal is to enable staff to earn a minimum of \$26 per month—the equivalent to a local household's average monthly food costs.

Most workers, both permanent and seasonal, have a small plot of land where they grow produce for household consumption or sale. The Village Nut Company educates workers and local farmers on ways to maximize output and improve their food security. The company also provides free or subsidized macadamia tree seedlings to all employees. More than 50 percent of workers cultivate the seedlings on their own land and when the trees mature four years later they can sell nuts to the factory. One tree produces roughly 30 kilograms of nuts, worth about \$30.



**Resilience:** Facilitate access to finance and financial literacy

Workers can have a percentage of their monthly salary deducted and put into a staff savings account, and they can then borrow up to three times the value of their balance. The average amount of these loans is \$439, and it is often used to finance setting up and operating small businesses. During the off-season, workers can re-negotiate repayments with no additional interest. The company also offers training in financial literacy, introducing staff to investment products, insurance and more—information which is not readily available in rural communities. The company encourages staff to create additional income streams in preparation for their retirement through training, additional savings, and access to investment opportunities.



**Resilience:** Improve access to benefits

The Village Nut Company runs a subsidized lunch program and a shop for staff to buy subsidized food and other essential items, which can be expensive elsewhere due to transportation costs. It also educates staff and community members on cooking, nutrition, and organic gardening.

The company offers health education sessions for employees and community members, and is working with local partners to build a medical facility near the factory.



**Empowerment:** Provide communication and grievance channels

In 2020, the company introduced bi-monthly 'Team Talks'. These are intended to reduce workplace conflict and tension by providing seasonal factory workers with a regular opportunity to discuss problems and other concerns with their colleagues and managers, and receive information on financial management, parenting skills, and other topics.



# The Benefits for Business: The Village Nut Company's Experience



## Human capital performance

The company says training helped to reduce the annual turnover rate across its workforce, both permanent and seasonal, to just 2 percent. In addition, it says its 'Team Talks' led to an 80 percent reduction in workplace conflict.

Almost all seasonal workers now return each year, and the average length of service for permanent staff is six years. This is notable in a location where workers commonly undertake casual daily work and move frequently from one job to another. This reduces the resource and productivity costs of replacing staff, especially those with technical skills and training.

The company's investments in childcare have been significantly offset by improvements in workers' punctuality and attendance. The absenteeism rate of working mothers dropped by 40 percent after the company's childcare facility was created in 2017. Overall, absenteeism has fallen to 3 percent per month.

Data supports a link between the Village Nut Company's inclusive practices and its productivity gains. Between 2019 and 2021, the company's annual output increased from 7.85 metric tons to 9.65 metric tons per worker, with no increase in working hours. The company attributes its productivity gains to the provision of training and childcare, staff retention initiatives, and communication and grievance channels.



## Access to labor

By providing opportunities for formal employment, skills development, and career advancement, the Village Nut Company has established itself as an 'employer of choice' in the local community and ensured a reliable supply of labor. Low turnover rates also enable the company to meet its labor requirements, even in the peak season.



## Reputation and risk management

According to the Village Nut Company's founders, the company has become a trusted and valued stakeholder in the local community, which is critical for ongoing operational success and to mitigate operation risks. The founders attribute the strength of this relationship to its provision of reliable economic opportunities for young people in an area where these are scarce, and the positive economic impact of employees' regular wages.



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## Endnotes & Sources

In addition to interviews with management and Human resources staff conducted in January and March 2022, and data provided by the company in February 2022, this case study uses the following sources:

<sup>i</sup> The Village Nut Company received support from Root Capital, a former IFC client, with a \$450,000 line of credit in 2015 and a \$20,000 grant in 2016 to advance the inclusion of women in the workforce. IFC made a \$5 million loan to Root Capital in 2013 to scale its core lending operations in the agribusiness sector.

<sup>ii</sup> Afande, F., W Maina, and M. Maina. 2015. "Youth Engagement in Agriculture in Kenya: Challenges and Prospects." *Journal of Culture, Society and Development*. Volume 7, 2015. <https://www.iiste.org/Journals/index.php/JCSD/article/view/22759/22837>

<sup>iii</sup> Ministry of Agriculture, Livestock, Fisheries, and Irrigation and the Council of Governors. 2018. *Kenya Youth Agribusiness Strategy 2018-2022*. July 2018. Nairobi: Ministry of Agriculture, Livestock, Fisheries, and Irrigation and the Council of Governors. [https://kilimo.go.ke/wp-content/uploads/2021/01/Kenya-Youth-in-Agribusiness-Strategy\\_signed-Copy.pdf](https://kilimo.go.ke/wp-content/uploads/2021/01/Kenya-Youth-in-Agribusiness-Strategy_signed-Copy.pdf)

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