BRIDGING SKILLS, EMPLOYMENT AND FINANCE IN KENYA'S TVET SECTOR

INSIGHTS FROM EMPLOYERS ON GRADUATE EMPLOYABILITY AND EMPLOYMENT-LINKED FINANCING OPPORTUNTIES

OPPORTUNITY EduFinance

WHY EMPLOYER PERSPECTIVE MATTER

This study marks the first time employer perspectives have been incorporated into Opportunity EduFinance's TVET market research. While the sample is exploratory, it provides valuable insights into employer demand for TVET graduates, workforce readiness, and the role employers could play in supporting innovative financing mechanisms that strengthen the transition from training to employment.

SECTOR PROFILE OF EMPLOYERS INTERVIEWED	# EMPLOYERS
Specialized Trades (Artisanship)	8
Health and Social Services	1
Engineering and Technology	4
Hospitality and Tourism	3
Business, Commerce, and Management	1
Total	17

To support this analysis, 17 employers who actively hire TVET graduates were interviewed across five sectors and three counties. While exploratory in nature, these interviews provide valuable early evidence on workforce demand, skills gaps, and employer practices that may inform future employment-linked financing models, including Income Share Agreements (ISAs).

COUNTY PROFILE OF EMPLOYERS INTERVIEWED	# EMPLOYERS
Nairobi	11
Homa Bay	4
Kajiado	2
Total	17

EMPLOYER DEMAND FOR TVET GRADUATES

84%

OF EMPLOYEESHIREDIN THE LAST 12 MONTHS WERE TVET GRADUATES

88%

OF EMPLOYERS PLANTOHIRE MORE TVET GRADUATES

The findings suggest that TVET graduates are valued by employers and continue to play an important role in meeting workforce needs across multiple sectors. Employers reported both current and future demand for TVET-trained talent, reinforcing the importance of TVET asa pathwaytoemploymentand economic participation.

What Employers Think of TVET Graduates

Employer feedback indicates that the skills gap may not be where it is often assumed to be. While employers generally view TVET graduates as technically competent and practically prepared, they consistently highlighted opportunities to strengthen soft skills such as communication, professionalism, teamwork, and customer engagement

EMPLOYER ASSESSMENT OF TVET GRADUATE JOB READINESS (1 = LOW, 5 = HIGH)	Average Rating
Soft skills (e.g. communication and teamwork)	3.88
Practical application of theoretical knowledge	4.29
Ability to learn new technologies or processes	4.29
Safety awareness and equipment handling Alignment of	4.06
TVET curriculum with industry needs	4.24
Overall job readiness*	3.82

*The overall job readiness score was assessed independently and is not calculated as an average of the individual dimensions. Employers first rated overall job readiness before separately evaluating specific aspects of graduate preparedness.

Beyond perceptions of graduate readiness, employers also provide insight into the quality of employment opportunities available to TVET graduates. Qualification requirements, starting salaries, and salary progression provide an indication of potential long-term earning trajectories.

EMPLOYMENT CHARACTERISTICS OF ENTRY-LEVEL TVET ROLES	Finding
Most common qualification required	Diploma / Certificate
Median starting salary	KES 15,000
Median expected salary year-on-year increase (%)	2.75%

The findings suggest that entry-level TVET roles offer relatively accessible employment pathways, with employers commonly requiring certificate and diploma qualifications for available positions. While starting salaries remain modest, employers also anticipate gradual salary progression over time, indicating potential for income growth as graduates gain experience.

These findings provide early evidence that TVET graduates are entering structured employment pathways with measurable income trajectories, creating important foundations for future repayment-based financing mechanisms.

Building Stronger School-to-Work Pathways

Strong employer engagement is critical to ensuring TVET programmes remain aligned with labour market needs. The findings indicate that collaboration between employers and TVET institutions is already well established, with 71% of interviewed employers reporting existing partnerships.

TYPES OF COLLABORATION BETWEEN EMPLOYERS AND TVET INSTITUTIONS	% of Collaborating Employers*
Student internships / industrial attachments	92%
Direct recruitment of graduates	75%

TYPES OF COLLABORATION BETWEEN EMPLOYERS AND TVET INSTITUTIONS	% of Collaborating Employers*
Guest lectures or curriculum input	17%
Equipment or facility support	17%
Memoranda of understanding (MoUs)	8%

*Percentages are based on employers who currently collaborate with TVET institutions. Employers could select more than one collaboration type.

Collaboration between employers and TVET institutions is primarily concentrated around student internships, industrial attachments, and direct recruitment, highlighting a strong emphasis on facilitating the transition from training to employment. Existing partnerships are also perceived positively, with employers assigning a median effectiveness score of 4.42 out of 5, suggesting that these collaborations are delivering value to employers.

However, fewer employers reported involvement in curriculum development, guest lectures, or equipment support, indicating that industry engagement remains largely transactional rather than strategically embedded within programme design. Expanding employer participation in curriculum design, skills development, and training delivery could further strengthen graduate employability and improve alignment between training provision and labour market needs.

Beyond existing collaborations, employers also expressed a strong willingness to deepen their engagement with TVET institutions. 88% indicated they would be willing to host interns, while an equal share reported they would be willing to provide employment guarantees for high-performing trainees. These findings suggest opportunities to strengthen school-to-work pathways through more structured partnerships that support both graduate employability and workforce development.

Such arrangements may also create future opportunities for employment-linked financing models, as clearer employment pathways can help reduce uncertainty around graduate repayment capacity.

Employer-Supported Workforce Financing

Beyond supporting skills development through internships and recruitment, some employers are already participating in informal forms of workforce financing.

The findings reveal that 35% of employers are already participating in informal forms of workforce financing. Existing practices include providing emergency loans that are subsequently recovered through salary deductions, offering financial assistance or salary increments, supporting students with upkeep allowances, and implementing employment-based repayment arrangements. These examples suggest that employers may already be willing partners in mechanisms that reduce financial barriers to skills development and could provide a foundation for future employment-linked financing models.

Beyond existing informal workforce financing practices, employers were also asked about their willingness to participate in structured employment-linked financing mechanisms. The findings suggest a strong level of interest, with 71% of interviewed employers indicating they would be willing to explore at least one model that links skills development to future employment and repayment.

EMPLOYER PREFERENCES FOR EMPLOYMENT-LINKED FINANCING MODELS	% of Employers Selecting as Feasible*
Income-Sharing Agreement (ISA)	8%
Employer-Sponsored Loan	42%
Work-Linked Repayment (Salary Deduction Model)	67%
Training Bond	33%
Other (specify)	8%

*Percentages are based on employers who expressed interest in exploring employment-linked financing models. Employers could select more than one option.

Among employers interested in participating in employment-linked financing mechanisms, Work-LinkedRepayment(SalaryDeductionModels)emergedasthe most feasible option. Employer-Sponsored Loans and Training Bonds also received support, suggesting employers may be more comfortable with models that build on existing workforce development practices.

EMPLOYER CONCERNS REGARDING EMPLOYMENT-LINKED FINANCING MODELS	Illustrative Examples
Employee retention and mobility	Employees may leave, be transferred, or exit before repayment is completed
Administrative burden	Difficulties with follow-up and additional HR responsibilities
Trust and accountability	Concerns around borrower behaviour and trust in financial institutions
External uncertainty	Market fluctuations and changing economic conditions

Employers highlighted several practical considerations that may influence participation in employment-linked financing models. The most common concerns related to employee retention, as employers noted that staff turnover and transfers could complicate repayment arrangements. Employers also raised concerns regarding administrative complexity, including additional HR responsibilities and difficulties tracking repayments over time.

Readiness for Income Share Agreements

ENABLINGCONDITIONS FOR FUTURE ISA PILOTS	Evidence	Readiness
Strong employer demand for TVET graduates	84% of recent hires were TVET graduates	High
Future demand for graduates	88% intend to hire more graduates	High
Observable employment pathways	Qualification and salary data collected	High
Existing TVET-employer partnerships	71% currently collaborate	High
Existing workforce financing practices	35% already provide financial support	Moderate
Employer appetite for structured financing models	71% open to participating	Moderate
Direct employer preference for ISAs	8% selected ISA	Low

While employers did not explicitly favour Income Share Agreements (ISAs) as a standalone model, the findings suggest that many of the enabling conditions required to support future ISA pilots are already in place. Strong demand for TVET graduates, observable employment pathways, existing TVET–employer partnerships, and employer willingness to participate in Work-Linked Repayment models collectively provide a strong foundation for future implementation.

Importantly, high interest in Work-Linked Repayment should not be viewed as separate from ISAs, but rather as a potential operational pathway to support them. In practice, an ISA could be implemented by linking graduate repayments to a proportion of income earned and facilitating collections through employer payroll systems. Consequently, the findings suggest that financial institutions may not need employers to directly adopt an ISA model itself; instead, strong employer support for salary-deduction mechanisms may represent a practical and promising entry point for piloting ISA-based approaches within Kenya's TVET sector.