Meeting the Challenges of Unemployment and Poverty in Africa

Condensed from the Economic Report on Africa 2005
(Economic Commission for Africa)

Poverty in Africa is substantially higher than in other developing regions and is both chronic and rising. 46% more people are now below the poverty line than were in the 1980s and 1990s despite the growth of GDP.

To achieve Millennium Development Goal 1, Africa needs to achieve 7% growth in GDP by 2015 but has only managed 4%. One reason is that growth has been chiefly concentrated in capital-intensive areas, thus bypassing the poor and unemployed. The distribution of opportunities has also been very unequal.

Decent employment is the main poverty escape route and for this, the current traditional low productivity agriculture needs to be transformed into labour-intensive, high value agriculture. The right political leadership is also essential so that priority is given to broad-based employment creation in national development programmes.

This economic report focuses on four key challenges for Africa in the fight against unemployment and poverty: structural transformation of the current underutilization of rural labour; tackling widespread youth unemployment; harnessing globalization to create decent jobs; and creating an enabling environment for the accelerated expansion of private sector job-creation through increased investment.

In Africa, regional differences in growth are large. Thus in 2004, only six countries managed 7% growth while 17 had less than 4% and two actually contracted. On the other hand, macroeconomic conditions improved, inflation eased and fiscal deficits declined. A major factor in this was debt relief through the Highly Indebted Poor Countries (HIPC) initiative and increased flows of ODA. However, the slow pace of delivery, the likelihood of long-term debt sustainability, methodological weaknesses in estimating sustainable debt, the insufficiency of debt relief and the difficulty for poor countries of staying on a policy reform track proved key constraints.

Few first world countries reached their agreed target of overseas aid and again, the smallest proved the most generous (Denmark, Luxembourg, Netherlands and Sweden).

Macroeconomic performance and GDP growth had little effect on unemployment which has remained at around 10% for the last decade but with wide variations among countries. Uganda has only 7% unemployment, for example, while Lesotho has 39%. Many of the employed work in the informal sector and experience very high levels of poverty because of poor, high-risk working conditions, lack of job security and low pay while in rural areas, there is chronic underemployment since the work is largely seasonal. Of great concern is the exceptionally high rate of youth unemployment which, in 2003, was twice that of the overall rate. In sub-Saharan Africa, 63% youth were unemployed yet 15 to 24 year olds only make up 33% of the labour force. Limited education and little experience puts youth at a disadvantage and makes them far more likely to engage in criminal behaviour, particularly armed robbery, sex work and illicit drug use.

Poor people have low income, low consumption and little access to or control over key assets. They are usually less well educated and their health is poorer. But the number of people living below the poverty line only tells half the story. They also stay poor for long and sustained periods. Low employment intensity of the growth process and poor people's inability to integrate into the growth process and reap the gains of employment opportunities means that there is no clear link between economic growth and poverty reduction. Poverty measures must be far more concerned with and committed to addressing African national unemployment and must consider liberalization, privatization, global and regional integration and the effects of globalization.

What is needed is the co-ordination of supply and demand for labour and access for the poor to education, health services, skills and training, land and markets, as well as special measures to overcome gender discrimination and restrictive labour regulations. Current inadequate educational outcomes fail to provide the skills required in the workplace.

It is vital that globalization also be harnessed if poverty and unemployment are to be reduced. Africa is in fact one of the most open regions in the world for foreign trade yet the share of foreign direct investment in GDP is barely 2% and Africa's exports have declined in the last twenty years from 6% to 2%. The path to improvement is through higher skill levels, transformation of economic structures, increased and sustained investment in human capital, updated information and communication technology infrastructure, well-designed industrial policies and preference for labour-intensive sectors.

To get a stake in global value chains, products must be of higher quality and the supply must be reliable. Small farmers need support to achieve this e.g. joint irrigation schemes, market information, extension services and properly enforced contracts.

Migrants can also contribute usefully to Africa's development through remittances and, for those who return, using their experience and contacts to set up businesses and facilitate the flow of information and knowledge.

The public sector has traditionally been the biggest employer in Africa but African governments can no longer manage this. The private sector needs to take on this role but to do so requires the right kind of environment. For example, the cost of registering a business in Africa is the highest in the world! High prevalence of bribery and corruption make it no surprise that private investment is lagging. Poor road networks, unreliable energy supplies and insufficient telecommunication facilities are further factors. Lack of bookkeeping and market analysis skills and poor access to finance are other constraints.

In short, the following policies and practices should be adopted:

§ Agricultural productivity must be improved by introducing modern farm techniques, small-scale irrigation, better storage and packaging, improved agro-processing and adequate marketing infrastructures
§ Labour-intensive techniques must be promoted, particularly in sectors that employ a disproportionate share of poor people
§ Exports must be diversified to minimize the adverse effects of trade instability on households
§ Taxes on producers should be reduced so that labour benefits from improved terms of trade
§ Intersectoral links must be supported
§ Private sector job creation should be maximized, bureaucratic restraints minimized and constraints to investment and growth removed
§ A comprehensive employment strategy should be formed with identifiable targets
§ Poverty reduction should be incorporated into national budgets and given priority funding
§ In the context of committed leadership and sound analytical research, the recommendations of the Declaration on Employment and Poverty in Africa should be implemented.