

ILO Global Summit on Covid-19 and the world of work- Building a better future of work (Africa Regional Event)

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- Two thirds of Africa's population live and work in rural areas; informality has a strong rural dimension. Rural areas host nearly 80 per cent of the world's poor and account for 65 per cent of the total informal employment. Agriculture is the sector with the highest level of informal employment. Informality, particularly in rural areas, is a phenomenon of great magnitude which, contrary to previous forecasts, has not diminished over time and is still increasing in many countries.

- Small firms with poor performance tend to be the norm, rather than the exception, in less developed economies. The fact that they underperform and create poor-quality jobs (without social protection and poorly remunerated or even unpaid) has an impact on the overall growth of the economy and the persistence of poverty. Their low productivity and low profitability reproduce a vicious circle of stagnation-unprofitability-informality thus creating a low-level equilibrium trap. At this low-level equilibrium, both savings and investment rates are negligible or zero, while small firms' opportunity cost of being formal is higher than their net returns.

- Without meaningful structural change, most of the jobs generated are likely to be in the informal economy where productivity and income are low and work is insecure, making the global objective of leaving no one behind and progress towards the 2030 Agenda for Sustainable Development and the. Informality in Africa cannot be attributed to the so called 'growth pattern' "It is rather the lack of growth in the face of rapidly population growth and urbanization for over four decades starting from the 1940s that caused formalization. The reasons are multiple and complex.

- Informality is Africa's pressing challenge and should be, examined its particularity. Formal business is facing a fierce competition from informal operating business. We should ask questions as to how do we deal with informality and how have, we been dealing with it in the past. Has the route taken lead us to a right destination? We need to assess our past efforts and strategies to identify where we went wrong. Enterprises, particularly small firms, face barriers to obtain credit from commercial banks because of their low profitability. It is essential to examine alternative sources of financing and governments' resource allocation criteria so that public funds reach both small firms with positive prospects and individuals with entrepreneurial potential.

- Productivity in formal sectors should be boosted to facilitate formalisation of the informal sectors in this respect recommendation 20154 of 2015 calls for " enterprise policies that promote sustainable enterprises and, in particular, the conditions for a conducive environment, taking into account the

resolution and Conclusions concerning the promotion of sustainable enterprises adopted by the International Labour Conference at its 96th Session (2007), including support to micro, small and medium-sized enterprises and entrepreneurship, and well- designed, transparent and well-communicated regulations to facilitate formalization and fair competition; (recommendation 204 or 2015 section IV (15) (C).

- There are push as well as pull factors to informality ranging from inadequate regulatory framework, a weak enforcement system, a lack of transparency and accountability of public institutions to tax evasion or generally, informality by choice. Tackling informality requires recognising the its multiple cause as put recognised in the preamble of the recommendations 204 of 2015.

- Access to technology is a key to rural and informal sector transformation. New technologies tend to be mainly within reach of large enterprises often located in urban areas. It is key to help small firms have access to new technological developments. Hence, tackling barriers to tech adoption is key for productivity growth and to prevent inequality from rising further. Technological progress tends to benefit more skilled (educated) workers, thus increasing demand for [specific] skills. It is then argued that there is a causal relationship between tech developments and changes in the wage distribution (Acemoglu, 2003). Moreover, labour market-disrupting technological innovation may lead to job destruction and creation. This new wave of technological change calls to investing in on-the-job training for up-skilling and re-skilling so that individuals can remain active in the labour market and raise their productivity. Such transition is to be accompanied by active and passive labour market policies to prevent individuals from taking premature risks to undertake necessity entrepreneurship.

- For countries in Africa, adoption of new technologies is vital for their successful participation in regional and international markets and improved livelihoods. And yet, without robust skills base, effective adoption of new technologies will not be possible. Technological advances and digitalization drive skills needs, while skills determine the extent to which technologies can be used effectively. Given this close connection between skills and technologies, it is essential for countries at all levels of development to plan not just for current skills needs but also for the implications of the trends in technology for the future skills needs.

- It is important to undertake an economy's structural transformation to shift, for instance, from a commodity-dependent growth model to a knowledge-based economy, leading to set up and develop knowledge hubs and knowledge clusters, that is, networks of entrepreneurs with skills-complementing profiles and quality-alike skills profiles so that no one falls behind by allocating resources in such a way that entrepreneurs achieve to be better off without making anyone worse off. Moreover, more often than not, public and private policies are not coordinated between and among them to achieve a common objective. Hence, it is also necessary to design, implement, and coordinate policies and resources for productivity growth. In particular, fiscal (tax and expenditure), social security, and financial policies.

- It is estimated that 9 out of 10 economic units in Africa are part of the informal sector, providing employment to more than 75 per cent of all workers. The rate of informal employment in Africa is the highest in the world. In the agricultural sector it is estimated above 90 per cent.

- Policies are not enough; Conducive policies need to be complemented by its implementation follow-up and midterms reviews. This is echoed in the recommendation 204 of 2015 paragraph 39 which gives instructions to review on a regular basis, as appropriate, the effectiveness of policies and measures to facilitate the transition to the formal economy, in consultation with the most representative employers' and workers' organizations, which should include in their rank, according to national practice, representatives of membership-based representative organizations of workers and economic units in the informal economy.