



▶ ILO Brief

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Employment prospects in Afghanistan: A rapid impact assessment

Key points

- ▶ Following the change in administration in Afghanistan after the events of mid-August 2021, the ensuing crisis has paralyzed the economy and continues to have dire impacts on the labour market.
- ▶ More than half a million workers are estimated to have lost their job in the third quarter 2021, relative to a hypothetical scenario with no change in administration, which represents 8 per cent fewer working women and men.
- ▶ Employment losses are expected to increase to nearly 700,000 by the second quarter 2022, as enterprises struggle to stay viable and work becomes scarce. If the situation of women deteriorates further and outmigration intensifies, employment losses could increase to more than 900,000 jobs by the second quarter 2022.
- ▶ The impact on female employment is severe. Women's employment decreased by an estimated 16 per cent in the third quarter 2021, relative to a hypothetical scenario with no change in administration. In the absence of any substantial policy shift, female employment losses are expected to increase to 21 per cent by mid-2022.
- ▶ The deepening economic crisis has been particularly devastating for critical sectors of the Afghan economy, including agriculture, public administration, social services and construction, with hundreds of thousands of workers losing their job or not receiving wages.

▶ Background

On 15 August 2021, the Taliban entered the Afghanistan capital of Kabul and seized control, following months of accelerated withdrawal of international troops. As the country transitioned to a new administration, political uncertainty and security concerns portend significant macroeconomic challenges and the potential reversal of

hard-fought development gains achieved during the past two decades.

The shift in power has triggered severe economic instability. Domestic and international market connectivity has been widely disrupted, constraining productive economic activity and driving up production costs.¹ Without access to the overseas financial accounts of the

¹ UNDP Afghanistan, *Economic instability and uncertainty in Afghanistan after August 15: A rapid appraisal*, 2021.

Afghanistan government, foreign aid, trade and investment into the country have been severely impacted.² Cash shortages and restrictions on bank withdrawals are causing severe financial constraints for enterprises, workers and households.

There are also concerns about the violation of women's human rights, including women's opportunities to work.³ Increasingly reports indicate that women, who accounted for 19 per cent of employment in 2020, are being prevented from working in some areas. Likewise, access to education for girls has been limited in some regions, which can bring additional undesirable consequences in the form of increased child labour (Box 1).⁴

The political and economic uncertainty further complicates Afghanistan's recovery from the impacts of the COVID-19 crisis. The pandemic had already imposed a heavy burden on the economy, with GDP contracting by an estimated 2.4 per cent in 2020.⁵ While agricultural production was somewhat resilient, the urban services and industrial sectors were deeply impacted by mobility restrictions and trade disruptions, leading to an increase in urban unemployment.⁶

Economic recovery and a return to stability in the labour market is largely contingent upon the continued support of the international community, which at this point

remains unclear, as well as policy decisions of the new administration. The International Monetary Fund (IMF) estimates that the current crisis could result in an output loss of 30 per cent, pointing to "falling imports, a depreciating Afghani, and accelerating inflation".⁷ The United Nations Development Programme (UNDP) projects that in a worst-case scenario the country would face near-universal poverty as the share of the poor population could increase by 25 percentage points from 2020 to 97 per cent in mid-2022.⁸ Likewise, the Integrated Food Security Phase Classification (IPC) assessment estimates that 22.8 million people, or 55 per cent of the population, could suffer from acute food insecurity in the coming winter months due to drought, conflict and the worsening economic situation.⁹ The lack of access to food and basic goods will further impact the productive capacity of the population.

Given the limited availability of current information on the labour market, this ILO Brief presents an analysis of the potential impact of the change in administration and events of mid-August on employment in Afghanistan. The rapid assessment includes estimates and trends of employment and total working hours, based on the methodology outlined in the Annex. Projections are also presented through the second quarter 2022 based on different scenarios.

► What is the impact on employment and working hours?

More than 900,000 jobs could be lost by second quarter 2022

In the third quarter 2021, employment is estimated to have contracted by more than half a million workers. Compared to a hypothetical scenario with no change in administration, this represents an 8 per cent drop in the

number of men and women employed (figure 1). This sizeable contraction reflects workers pushed out of employment due to the change in administration and ensuing economic crisis as well as the restrictions on women's participation.

In the baseline scenario in which women's (relative to men's) economic participation falls substantially and

² I. Debre, "With foreign funds frozen, Afghan aid groups stuck in limbo", in *Associated Press*, 16 Sep. 2021.

³ Remarks by UN Women Deputy Executive Director Anita Bhatia to the UN High-Level Ministerial Meeting on the humanitarian situation in Afghanistan, 14 Sep. 2021.

⁴ *Briefing to the United Nations Security Council by the Secretary-General's Special Representative for Afghanistan, Ms. Deborah Lyons*, New York, 9 September 2021. Data on female employment are ILO estimates based on Afghanistan Labour Force Survey 2020.

⁵ IMF, World Economic Outlook Database, Oct. 2021.

⁶ World Bank, *Afghanistan Development Update April 2021: Setting course to recovery*, 2021.

⁷ IMF, *Regional Economic Outlook for the Middle East and Central Asia*, 2021.

⁸ UNDP Afghanistan, op. cit.

⁹ IPC, *Afghanistan: IPC acute food insecurity analysis: September 2021 – March 2022*, Oct. 2021.

outmigration spurs a substantial gradual decrease in the working-age population, employment losses are projected to reach nearly 700,000 workers by the second quarter 2022, representing a 10 per cent decrease.¹⁰

In the pessimistic scenario, in which the labour market situation of women is assumed to deteriorate further, and outmigration intensifies, the employment loss could amount to more than 900,000 workers (14 per cent) by the middle of next year. Even in the most optimistic scenario, more than half a million fewer workers (7 per cent) are projected to be in employment by the second quarter 2022.

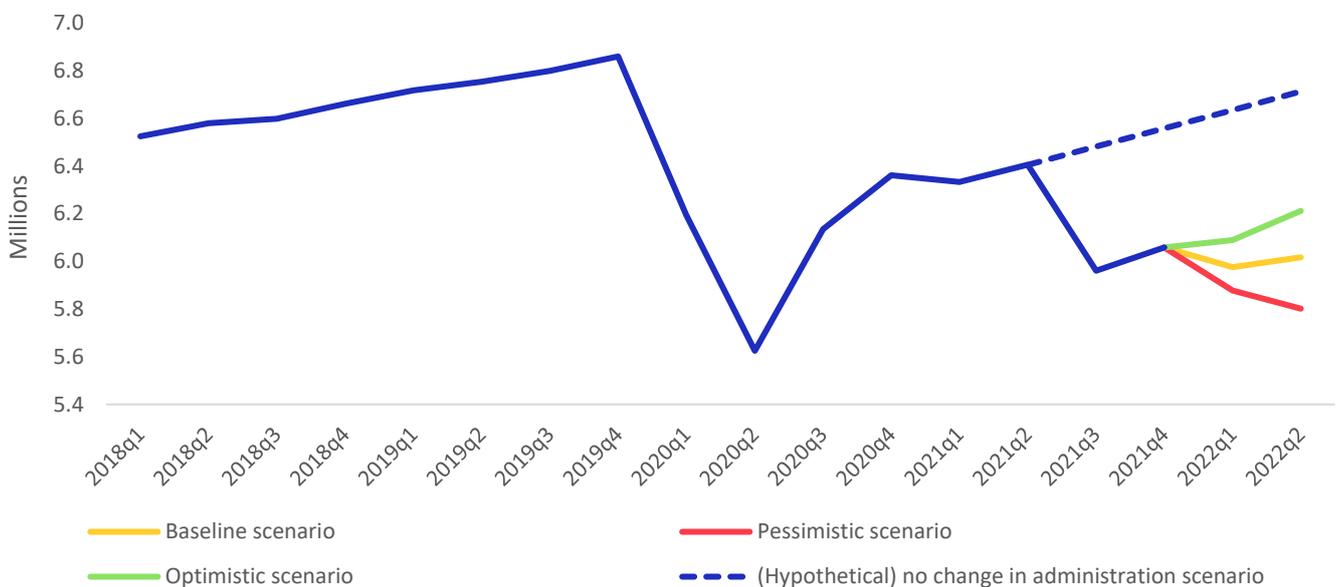
Working hours and wages are declining

The total number of hours worked by the Afghan workforce is another indicator that illustrates the strong adverse labour market impact unfolding in the country. Working-hour losses account not only for persons who

lost or left jobs as a result of the political transition but also for the reduced hours of those who managed to keep their job.¹¹ In the third quarter 2021, the total number of hours worked in the Afghan economy is estimated to have dropped by 13 per cent, compared to a hypothetical scenario with no change in administration. In the baseline scenario, the working-hour losses are projected to remain at similarly high levels in the second quarter 2022. In the pessimistic and optimistic scenarios, working hours are expected to fall by 18 per cent and 8 per cent, respectively.

Falling labour demand is further evidenced by trends related to casual workers who are employed on a daily basis.¹² According to the World Food Programme (WFP), average daily wages for skilled and unskilled workers decreased during the first week of January 2022 by 9.5 per cent and 9.4 per cent, respectively, compared to levels at the end of June 2021. Likewise, the number of days of available work per week for casual workers contracted by 49.4 per cent to 1.2 days during that same period.

► **Figure 1. Total employment in Afghanistan, millions**



Notes: See Annex for details about the estimation methodology.

Source: ILO estimates based on Afghanistan Labour Force Survey 2020 and ILOSTAT database.

¹⁰ The assumption on outmigration in 2022 is broadly consistent with: IMF, *Regional Economic Outlook for the Middle East and Central Asia*, op. cit., Box 1.2.

¹¹ This indicator of working hours has been prominently used by the ILO in its Monitors to measure the labour market impact of COVID-19. See, for example: ILO, *ILO Monitor: COVID-19 and the world of work. 8th edition*, 2021.

¹² Data on daily wages and working days are based on: World Food Programme (WFP), *Afghanistan Countrywide Weekly Market Price Bulletin*, Issue 86, 4 Jan. 2021.

The impact on female employment is severe

The economic crisis is harming women workers disproportionately. Even before the events of 15 August, women's labour force participation was extremely low by global standards at 17 per cent nationwide, and 10 per cent in urban Afghanistan in 2020.¹³ The majority of women's employment in 2020 was in agriculture, the manufacturing of textiles and clothes, as well as public administration and social services (table 1). These sectors are now severely affected (see next section). At the same time, women's economic opportunities are further limited by newly imposed restrictions on women's economic participation in some areas.

As a result, women's employment is estimated to have decreased by 16 per cent in the third quarter 2021,

relative to the hypothetical scenario without the change in administration (figure 2). By comparison, male employment is estimated to have declined by 6 per cent. Assuming a baseline scenario in which women's labour force participation remains considerably below the rate seen before 15 August, the number of employed women could be 21 per cent lower in the second quarter 2022.

In the pessimistic scenario, in which restrictions intensify and women do not feel they can safely show up to workplaces, the scale of job losses for women could reach 28 per cent. Conversely, in the optimistic scenario, women's employment trends could show some modest recovery over the course of 2022. This outcome, however, would require the safeguarding of women's rights and their free participation in the economy.

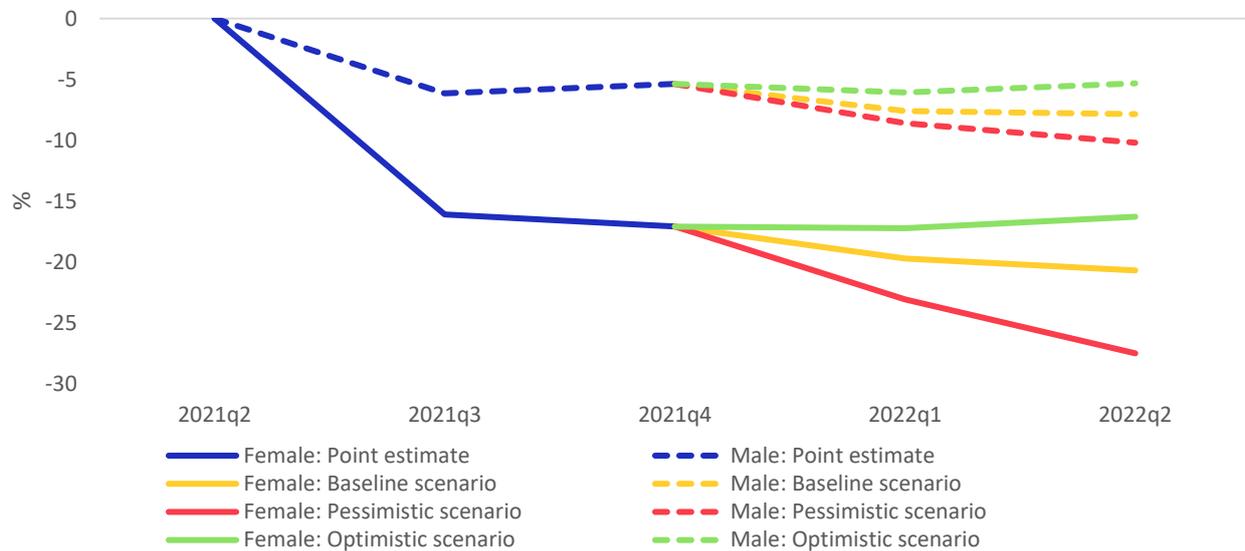
► **Table 1. Female employment in Afghanistan by economic sector in 2020**

Sector	Female employment (thousand)	Total employment (thousand)	% of female in total employment	% distribution of female employment
Agriculture	598.5	2,714.3	22.0	52.5
Manufacturing	283.2	500.1	56.6	24.8
Manufacturing of textiles and clothes (excl. footwear)	276.0	347.7	79.4	24.2
Non-market services (incl. public administration and social services)	205.1	1,018.9	20.1	18.0
Other sectors	54.0	1,845.2	2.9	4.7
Total	1,140.7	6,078.5	18.8	100

Source: ILO estimates based on Afghanistan Labour Force Survey 2020.

¹³ ILO estimates based on Afghanistan Labour Force Survey 2020. Women's global labour force participation rate was 47 per cent overall in 2019 and 48 per cent in urban areas (ILOSTAT database, ILO Modelled Estimates, November 2020).

► **Figure 2. Employment in Afghanistan by sex (difference compared to hypothetical scenario with no change in administration, %)**



Notes: See Annex for details about the estimation methodology.

Source: ILO estimates based on Afghanistan Labour Force Survey 2020 and ILOSTAT database.

Box 1 The impact on child labour

The worsening economic and jobs crisis could aggravate the child labour situation. The recent Household Income and Expenditure Survey 2019–20 estimated that approximately 1.06 million children aged 5–17 years, 9 per cent of this age group, were involved in child labour. The overall figure masks important differences by gender and area of residence:

- Child labour has an important gender dimension in Afghanistan. Boys are more likely to be involved in child labour (12.6 per cent) than their female counterparts (5.1 per cent). In absolute numbers, there are more than 770,000 boys and about 300,000 girls in child labour. When the definition of child labour expands to include children carrying out household chores for 21 hours or more per week, the child labour prevalence increases to 13 per cent for both sexes and to almost 12 per cent for girls.
- Child labour is a predominantly rural phenomenon. Children living in rural areas (9.9 per cent or 839,000) are much more likely to be in child labour compared to those living in urban areas (2.9 per cent or 80,000).
- Only 40 per cent of children aged 5–17 years were attending school. A large share of children (41 per cent) were neither attending school nor working.

These numbers indicate that efforts need to be intensified and accelerated to meet the SDG 8.7 target: "Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms."

There are no current estimates on the impact that the recent political and socio-economic situation will have on the number of children in child labour. Nonetheless, a rise in the number of working children and a decline of children attending school are expected outcomes of the fragile situation in the country.¹

¹ Local reports on increased incidences of child labour include Sakhi Khalid, "Poverty in Afghanistan: Child labor increased in Baghlan after Taliban takeover", in *Hashte Subh Daily*, 28 Nov. 2021.

Key sectors have been devastated

The deepening economic crisis has devastated critical sectors.¹⁴ Drought has severely threatened the livelihoods of millions of women and men working in agriculture, a sector that accounted for almost 45 per cent of employment (2.7 million) in 2020.¹⁵ Agricultural production in recent months has been further hampered by rapid price inflation that has driven up the cost of key farming inputs. Without robust support to sustain agricultural production and safeguard agricultural assets, the country is facing rising food insecurity and widespread displacement.

Moreover, the political transition has heavily affected more than 1 million men and women workers in public administration and social services.¹⁶ The shift in administration led to hundreds of thousands of Afghan security force members losing their job.¹⁷ Similarly, many

public civil servants have become unemployed or have not received wages, forcing some to turn to daily wage labour for survival.¹⁸ The liquidity crisis has deeply impacted teachers, who have also gone without wages for months.¹⁹ The health system is on the verge of collapse as decreases in international donor support have significantly weakened health services and constrained salary payments to many healthcare professionals.

Likewise, without foreign funding, construction and other major infrastructure projects have stalled since the political transition after 15 August.²⁰ Construction companies have suffered massive losses on investments and those with outstanding government contracts remain unpaid. The deteriorating circumstances have undermined the employment of around 538,000 workers (of which 99 per cent are men) who worked in construction before the current crisis.²¹

► Moving forward

To support the Afghan people, the United Nations (UN) has come up with a Transitional Engagement Framework (TEF) as the overarching strategic plan for the UN system's assistance in 2022. Its priorities are to provide lifesaving assistance, sustain essential services, and preserve social investments and community-level systems essential to meeting basic human needs. In the same vein, the UN has proposed the implementation of an Area-based Approach to Development Emergency Initiatives (ABADEI) Strategy for Community Resilience in Afghanistan. The Strategy proposes an innovative, inclusive and highly flexible approach that puts people first, targets the most vulnerable and meets specific local needs.

In this transitional and pivotal moment for the future of Afghanistan, the ILO continues to work with the private sector (employers' organizations) and trade unions to promote productive employment and decent work with a focus on four key areas, namely emergency employment services, employment-intensive investment, enterprise promotion and skills development. Initiatives in these areas are pursued in an approach that embeds crucial cross-cutting objectives including promotion of labour rights, gender equality, social dialogue, social protection, elimination of child labour and disability inclusion.

¹⁴ The sectoral analysis and assessment of the impact of the change in administration is based on data and information from UN agencies, international organizations and media reports, in addition to information shared by two trade unions.

¹⁵ ILO estimates based on Afghanistan Labour Force Survey 2020.

¹⁶ Non-market services including public administration and social services accounted for 16.8 per cent of total employment in 2020. ILO estimates based on Afghanistan Labour Force Survey 2020.

¹⁷ IPC, op. cit.

¹⁸ "Afghanistan: People struggle to make ends meet amid economic turmoil", in *DW*, 8 Nov. 2021.

¹⁹ G.N. Peshimam, "UNICEF to directly fund Afghan teachers, bypassing Taliban authorities", in *Reuters*, 3 Nov. 2021.

²⁰ "Afghanistan: Taliban road construction projects stall without foreign funding", in *DW*, 18 Oct. 2021.

²¹ Construction accounted for 8.9 per cent of total employment in 2020. ILO estimates based on the 2020 Afghanistan Labour Force Survey.

► Annex: Estimation methodology

The brief relies on an estimation procedure to assess the impact of the change in administration on employment and working hours in Afghanistan. The definition of employment and working hours applied in this brief are based on the international statistical standards which are also utilized in the Afghanistan Labour Force Survey. The details of the estimation methodology are outlined below.

Given the lack of labour force survey data covering the period following 15 August, the estimation approach relies on a cross-country panel data regression analysis to estimate the impact of the shift in administration on overall employment and working hours. Given the significance of the change in administration on women, estimates are produced separately for female and male employment and for female and male working hours, and then respectively added up to the total.

The last actual data points for employment and working hours, based on labour force survey data for Afghanistan, are available for 2020.²² In addition, official survey data on the labour force and employment are available for 2017. The estimation procedure that is implemented ensures alignment with these data points, including alignment with the estimates of the national working-age population from these surveys.

The regression with employment as the dependent variable is run on quarterly data covering 2020 and 2021, available for 71 countries; the regression with working hours as the dependent variable is run on quarterly data available for 62 countries. As explanatory variables, the respective regression models include various components:

- The ratio between female and male labour force participation rates, calculated on the basis of data from national labour force surveys, available from ILO's ILOSTAT database.
- An estimate of the working-age population from the United Nations Population Division. This indicator allows for the accounting of demographic trends including international migration.
- An indicator of workplace mobility from Google Mobility reports.²³
- An indicator of news sentiment, taken from the GDELT database, which tracks the sentiment across domestic and international news articles.²⁴ The news articles considered in the analysis include the country name and either of the following terms: jobs, employment, employed, unemployment, unemployed, workers, labourers, laborers, working hours. A positive index value indicates that more positive than negative sentiment words are on average used in the news articles, while a negative index value indicates the reverse.²⁵

Based on the estimated coefficients (table A1), the model generates estimated data points for Afghanistan from the first quarter 2018 to the fourth quarter 2021, in addition to projections for the first two quarters 2022 in a baseline, an optimistic and a pessimistic scenario (table A2). These scenarios draw on different assumptions about the role of women in the future Afghan labour market as well as the potential impact of outmigration. The regression also allows estimation of employment and working hours in the hypothetical scenario in which the administration had not changed.

²² A labour force survey was also conducted in the first quarter 2021 but has not yet been released.

²³ Google, [COVID-19 Community Mobility Reports](#). Latest data retrieved on 9 December 2021.

²⁴ [The GDELT Project](#). Latest data retrieved on 1 December 2021.

²⁵ For more details, see: ILO, *Preparing for the future of work: National policy responses in ASEAN+6*, 2019, Box 2.

► **Table A1. Results of cross-country panel regressions used to estimate employment and working hours in Afghanistan**

	Aggregate weekly hours worked (log)		Employment (log)	
	Female	Male	Female	Male
Workplace mobility (percentage change relative to the baseline)	0.009***	0.008***	0.004***	0.003***
News sentiment (index)	0.044	0.064*	-0.005	0.013
Working-age population (log)	0.995***	1.007***	1.008***	1.006***
Ratio between female and male labour force participation rates	1.383***	-0.134	1.612021***	0.085
R2	0.98	0.98	0.99	0.99
Number of observations	329	329	368	368

Notes: ***, ** and * respectively indicate statistical significance at the 1 per cent, 5 per cent and 10 per cent level. R2 indicates the share of variation explained by the model; as levels of employment and hours worked are to a large part explained by the size of the working-age population, the R2 takes on values that are relatively close to 1. The regression was run as a pooled ordinary least squares (OLS) regression.

► **Table A2. Description of scenarios**

Scenario	Description
Baseline	<ul style="list-style-type: none"> The female labour force participation rate declines substantially, relative to the male labour force participation rate, then picks up to some extent but remains considerably below rates seen before 15 August due to some restrictions on women’s participation in the labour market. Many people migrate out of Afghanistan due to the deteriorating economic situation, amounting to a gradual contraction in the working-age population of 150,000 in 2021 and 500,000 in 2022 relative to the hypothetical scenario. Workplace mobility declines until the first quarter 2022 due to the ensuing crisis and a worsening of the COVID-19 situation driven by low vaccination rates but sees some modest improvement in 2022. The sentiment of news on the Afghan labour market remains at current levels.
Pessimistic	<ul style="list-style-type: none"> The female labour force participation rate declines substantially, relative to the male labour force participation rate, then picks up to some extent but gradually declines again over the course of 2022, due to worsening restrictions on women’s participation in the labour market. A very large number of people migrate out of Afghanistan due to the deteriorating economic situation, amounting to a gradual contraction in the working-age population of 150,000 in 2021 and 750,000 in 2022 relative to the hypothetical scenario. Workplace mobility strongly declines during the first quarter 2022 due to the ensuing crisis and a worsening of the COVID-19 situation driven by low vaccination rates and remains at low levels throughout 2022. The sentiment of news on the Afghan labour market deteriorates gradually by 0.5 percentage points in 2022.

<p>Optimistic</p>	<ul style="list-style-type: none"> • The female labour force participation rate declines substantially, relative to the male labour force participation rate, then picks up to some extent and gradually increases further over the course of 2022, recovering to some degree due to a gradual and at least partial lifting of restrictions on women’s participation in the labour market. • A still substantial number of people migrate out of Afghanistan due to the deteriorating economic situation, amounting to a gradual contraction in the working-age population of 150,000 in 2021 and 250,000 in 2022 relative to the hypothetical scenario. • Workplace mobility remains at current levels during the first quarter 2022 due to the ensuing crisis but sees some improvement in 2022. • The sentiment of news on the Afghan labour market improves gradually by 0.5 percentage points in 2022.
<p>Hypothetical (No change in administration)</p>	<ul style="list-style-type: none"> • The ratio of the female to the male labour force participation rate gradually improves over the course of 2022 to relatively high 2017 levels. • There is no outmigration beyond the level expected before the change in administration. • Workplace mobility gradually improves in 2022, from levels observed before the change in administration to levels observed before the COVID-19 crisis. The COVID-19 crisis slowly but steadily stabilizes, driven by some progress made on vaccinations. • The sentiment of news on the Afghan labour market remains at levels observed before the change in administration.

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