



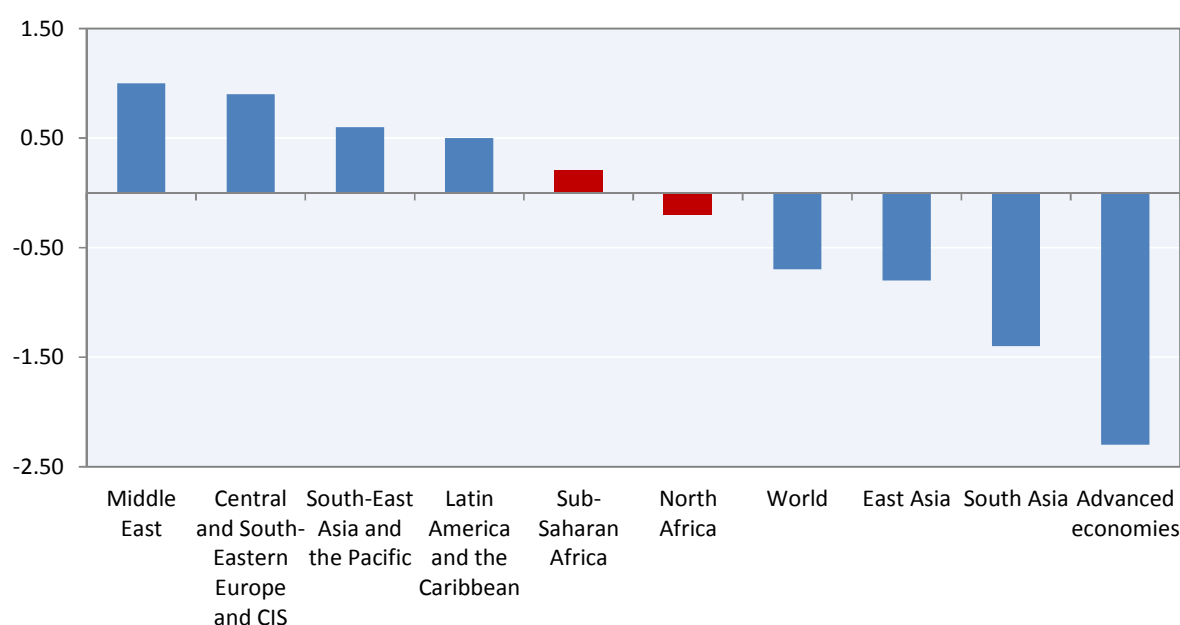
# World of Work Report 2013

## Snapshot of Africa

### *The employment rates in Africa are heterogeneous...*

- The employment rate<sup>1</sup> in Sub-Saharan Africa (SSA) has continued to increase from pre-crisis rates in 2008 (Figure 1). At 65.1% in 2012<sup>2</sup>, the employment rate for the region stood 0.2 percentage points above its 2008 pre-crisis level (64.9 %). South Africa is an important exception to this trend, with a 3.5 percentage point fall in the employment rate between 2008 and 2012.<sup>3</sup>
- The employment rate in North Africa, on the other hand, has slightly decreased since 2008. It fell by 0.2 percentage points from 44.3 % in 2008 to 44.1 % in 2012.

**Figure 1. Change in employment rates between 2008 and 2012 (percentage points)**



Source: IILS calculations based on KILM (2013).

- Unemployment rates in Africa have remained relatively stable since the onset of the crisis (0.1 percentage point increase between 2008 and 2012). Nevertheless, the increase in the number of unemployed during the period was close to 2 percentage points higher for men than for women.
  - The unemployment rate has slightly increased in North Africa from 9.1 in 2008 to 10.3 in 2012 and has remained unchanged in SSA at 7.5%. Between 2013 and 2015 the number of unemployed is expected to increase by 5% in both North Africa and SSA sub-regions.
  - The average youth unemployment rate in the African region was 13.4% in 2012, which is 0.3 percentage points higher than the pre-crisis rate of 13.1% in 2008. The increase was mainly owing to the increase in North Africa where rates rose from 20.3% in 2008 to 23.8% in 2012, while rates in the SSA sub-region remained stable at 11.9%.

<sup>1</sup> The Employment rate is defined as the ratio of the employed to the working age population.

<sup>2</sup> Due to lack of information on employment figures for the majority of SSA countries, the regional employment rates, unemployment and informal employment figures of this brief are based on the ILO KILM database. Please note that KILM figures are harmonized to account for differences in national data collection and tabulation methodologies.

<sup>3</sup> Laborsta (Short-term indicators of the labour market), 2013.

- Job quality remains a concern throughout the region: In SSA the share of informal-sector employment<sup>4</sup> is around 54 % among the 16 SSA countries with available information) with some countries (e.g. Côte d'Ivoire, Kenya, Mali and Rwanda) having reached rates above 70%. This poses a number of challenges, not only from an economic perspective (e.g. informal firms are often less productive) but in terms of social exclusion since most individuals working in the informal economy but also those informally employed in the formal economy have limited social protection and opportunities to get ahead although they are the most exposed to unsafe and hazardous working conditions.

***Middle-income groups in Africa have been expanding, but poverty and inequalities remain high.***

- The Report finds that although the size of the middle income group has increased in many economies, the overwhelming majority of the population still consist of those who are poor and living with an amount just above the poverty line . This shows the fragility of economic progress. Even though there has been some important progress in the reduction of income inequalities, additional efforts are needed. In general, it has been found that education and health and human development in general are correlated with larger middle class populations in Africa.<sup>5</sup>
- The middle income group represented a larger portion of the population in Gabon (22 per cent) and Cape Verde (25 per cent) in 2010, up from 6.3 per cent, and 12 per cent respectively, in 1999. The near poor (or those just above the poverty line) increased in both countries over the same period, but by less than in other African economies, relative to the decline in poverty. Strong growth has certainly played a role in both economies, but also the achievement of many social priorities as Cape Verde, in particular, is part of the group of African economies that is on track to attain all eight of the 8 MDGs by 2015.
- In North Africa, the number of poor (based on US\$2/day) decreased by 12 % between 2008 and 2010 and by 35% over the last decade (1999-2010). Meanwhile, the size of the middle income group in North Africa has doubled among lower-middle economies (for which data are available), and more than doubled among upper-middle economies (for which data are available) between 1999 and 2010.
- Over the past few years, income inequalities have continued to narrow in African economies (similar to other developing economies), however they remain relatively high. According to WDI, the “Gini coefficient” of income inequalities is over 50 in many African economies (compared to around 30 in advanced economies (with the exception of the US) and over 40 in the majority of developing and emerging countries.

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<sup>4</sup> Informal sector employment in all the countries analysed (with the exception of South Africa) is defined as the share of persons employed in the informal sector in total non-agricultural employment (%). Therefore the total amount of employment in the informal economy is likely to be higher. In South Africa, informal sector employment includes informal workers in both the formal and informal sectors in total non-agricultural employment (%).

<sup>5</sup> AfDB, 2011.

## ***Also, economic and political instability remains a key challenge with detrimental consequences in terms of social discontent...***

- Sub-Saharan Africa witnessed a slight increase in the risk of social unrest<sup>6</sup> between pre-and post crisis periods, despite the positive economic and labour market performance of the last years. More specifically, out of 24 economies with available information, the risk of social unrest increased in 14 of them.
- A number of North African countries experienced substantial social uprisings and popular demands for social justice since 2008. This is principally driven by two factors – limits to political freedom and weak job markets .

## ***The challenge is to tackle persistent structural weaknesses and provide a stable macroeconomic framework...***

- There is an urgent need to tackle persistent structural weaknesses in order to cushion short-term shocks and provide the stable macroeconomic framework essential for sustained economic growth and job creation in the region.<sup>7</sup>
  - First, in spite of a gradual ease in consumer prices during 2012, which is expected to continue in 2013, high food and fuel prices are still a source of worry in the region.
  - Second, the fallout of trade due to the long duration of the European crisis is a considerable risk. Stronger regional integration, and South-South trade linkages could help improve external demand along with increased productivity to boost competitiveness. In addition, a broad-based industrial policy would play a strong role in promoting sectors that are incrementally more capital intensive and productive. This however, should be coupled with policies that support labour intensive sectors. Such a balanced policy could sustain labour demand in the short-run, while promoting competitiveness and higher valued added employment growth in the medium to long-run.

## ***...but well-designed labour market policies can improve social inclusion***

- Some progress has been made in the region to tackle labour market challenges, however the Report shows that additional efforts can transform the current approach into a more comprehensive strategy, including measures that effectively tackle the challenges faced by vulnerable workers, particular youth and those in the informal-sector.
- *Employment policies including minimum wage policy:* The Report shows that employment programmes and minimum wage compliance can promote job recovery, stimulate domestic demand and provide a better income distribution while also reducing poverty.
  - Although most North African countries have minimum wage systems in place, they have been implemented only recently (2010) and compliance is still relatively weak. A move forward from a national minimum wage to sectoral system that covers a bigger part of the income distribution would allow higher economic mobility at different income levels.

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<sup>6</sup> The risk of social unrest is measured as the weighted sum of the perception of people across 5 different dimensions: confidence in government, living standards, local job market, freedom in your life, and access to internet. The weights for the variables used in the index (range from 5 per cent for access to internet to 35 per cent for confidence in government).

<sup>7</sup> AfDB; OECD; UNDP; UNECA. 2012. African Economic Outlook 2012: Promoting youth employment (Paris, OECD Publishing).

- Minimum wages can be an effective tool for improving the incomes in the informal economy and reducing wage inequality. Indeed, in some countries (India, South Africa and many Latin American countries), certain provisions of minimum wage legislation are specifically targeted at unskilled/low-paid workers or those in the informal economy. In India, for example, the minimum wages in the “schedules of employment” are set for unskilled workers – mostly employed in the informal economy. However, the coverage of minimum wages across the region is low – about 75 per cent of the African countries with available information do not have a comprehensive system of minimum wages – and the level of minimum wages may need revision.
- *Improve social policies:* The high percentage of people living just above the poverty level (the floating group) is a considerable challenge for the region. Improved quality, access and well-targeted social assistance programmes such as subsidies, better healthcare and education could help solidify some of the gains achieved and move people up the income ladder.
- *Improved social provisions:* There is the need to improve working conditions especially in the informal sector with weak social protection. This includes extension of labour law, standardized contracts and social protection obligations to protect workers and increase job quality. Good social provisions can also strengthen individual health and well-being of informal sector workers, as well as provide the capacity to organize and make demands for better conditions of work. In this regard, some African economies have implemented schemes that provide access to health care for workers in the informal sector. For example, a mutual health scheme called UMASIDA was established in Tanzania as early as 1995 to minimize the problem of restricted access to health-care services by workers in the informal economy.
- *Promote participatory and inclusive social dialogue:* Economic growth has taken place in some countries while voice and accountability remained quite limited, especially in North African countries. The Arab uprisings show that economic reform cannot be successful without political reform. Introducing social dialogue and improving where it exists including stronger workers and employers organizations who participate in policy making is among the priority areas for action. Institutionalized transparent dialogue will provide avenues for political stability which is a key for investment and growth.

*World of Work 2013: Repairing the economic and social fabric is available at ([www.ilo.org/INST](http://www.ilo.org/INST)). For further comments, journalists are invited to contact Marva Corley (tel: +41 22 799 6105; email: [Corley@ilo.org](mailto:Corley@ilo.org)) or Verónica Escudero (tel +41 22 799 6913; email: [escudero@ilo.org](mailto:escudero@ilo.org)) of the ILO's International Institute for Labour Studies.*