

Chapter 2 Perspectives from Asia and Latin America

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2.1 Introduction

This chapter studies the development experiences of Asia and Latin America. A review of development experiences in Asia and Latin America serves useful lessons for African countries to take decisive actions in promoting pro-decent job creating growth. Such growth is important in two ways: first, it will help reduce Africa's unemployment problem particularly for youth and females, and second, it will contribute towards poverty reduction.

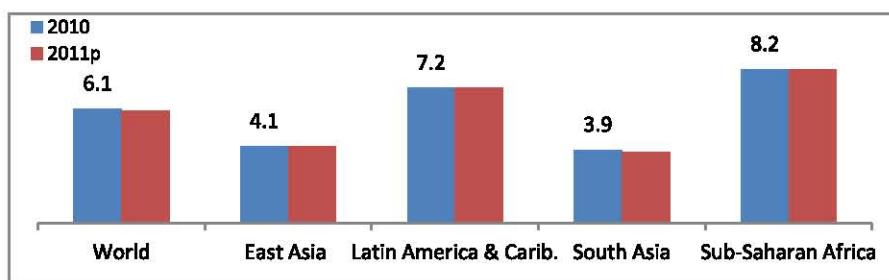
This chapter consists of three parts. The next section will synthesize ten general lessons from Asia and Latin America that Africa can learn for the formulation of policies toward youth employment creation. This will be followed by two case studies. One is about the implementation of the conditional cash transfer program in Brazil to alleviate current poverty while attacking intergenerational poverty cycle. The second case study is on the rural temporary job creation projects in India during agricultural slack periods. These cases have been implemented successfully in quite large scale in two countries having struggled with daunting levels of poverty, especially in rural areas, and inequality between rich and poor people.

2.2 Ten Lessons Africa Can Draw from Asia and Latin America

2.2.1 Sustained growth and structural transformation

East Asia and South Asia have managed to keep unemployment at low levels. In 2010, unemployment rates in East Asia was 4.1 per cent, 3.9 per cent in South Asia and that for Latin America and the Caribbean was 7.2 per cent, being below the 8.2 per cent recorded in SSA (Figure 2.1).

High and sustainable economic growth was one of the key factors that contributed to the Asian countries' success in employment promotion. In the 1990s through the first decade of the twenty first century, the East Asia and Pacific recorded commendable annual growth rate of around 9.0 per cent, while South Asia leapt-frog their growth rates from 5.5 per cent in 1990-2000 to over 7.4 per cent in 2000-2010 (Table 2.1). In particular, China and India recorded annual growth rates exceeding or approaching two-digit levels. The positive outcomes were partly a result of the macro-economic policy reforms which started in the 1980s in China, in the mid-1980s in India, and in the early 1990s in Brazil.

Figure 2.1 Unemployment rates for selected regions (%)

Source: ILO, Global Employment Trends 2012

Note: p=Preliminary estimates

Table 2.1 Growth of output for selected countries and regions

Region/Country	GDP		Agriculture		Industry		Manufacturing		Services	
	Average annual % growth		Average annual % growth		Average annual % growth		Average annual % growth		Average annual % growth	
	1990-2000	2000-2010	1990-2000	2000-2010	1990-2000	2000-2010	1990-2000	2000-2010	1990-2000	2000-2010
High Income	2.7	1.8	1.5	0.7	1.9	0.7	1.9	1.9	3.0	2.1
East Asia & Pacific	8.5	9.4	3.4	4.1	10.9	10.2	10.9	10.1	8.4	10.0
Latin America & Carib.	3.2	3.8	2.0	2.9	3.0	3.1	2.9	2.8	3.5	4.0
South Asia	5.5	7.4	3.3	3.1	6.0	8.1	6.4	8.4	6.9	8.8
Sub-Saharan Africa	2.5	5.0	3.2	3.2	1.9	4.9	2.2	3.4	2.6	4.8
China	10.6	10.8	4.1	4.4	13.7	11.8	12.9	11.6	11.0	11.5
India	5.9	8.0	3.2	3.0	6.1	8.5	6.7	8.7	7.7	9.6
Brazil	2.7	3.7	3.6	3.6	2.4	2.8	2.0	2.5	3.8	3.9

Source: World Bank, World Development Indicators 2012

The absence of enough employment opportunities in Africa is largely attributed to limited structural transformation of the economy. In Africa, agriculture continues to be the largest employer, absorbing over 60 per cent of the labour force. A major reason why unemployment has remained high in Africa is that the industrial sector is not only small, but its share of employment is very low. In SSA, employment in industry is less than ten per cent of the total labour force and its share has remained stable at around 8 per cent in the last decade, this compares unfavorably with 23-29 per cent for East Asia, 21-22 for Latin America and the Caribbean and 15-21 per cent for South Asian countries (Table 2.2). Employment shares in agriculture, particularly for East Asia and Latin American and the Caribbean have been declining over time, probably in favor of industry and services. This is not the case with the SSA where employment shares to agriculture, industry and services more or less remained the same over the period 2000-2011, a reflection of limited structural transformation.

Table 2.2 Employment by sectors in selected regions (%)

Region	Agriculture				Industry				Services			
	2000	2007	2010	2011p	2000	2007	2010	2011p	2000	2007	2010	2011p
East Asia	47.7	38.9	34.9	35.4	23.4	27.2	28.6	28.2	29.0	33.9	36.4	36.4
Latin America & Carib.	20.5	17.1	16.2	16.0	21.6	22.5	22.2	22.0	58.0	60.4	61.5	62
South Asia	59.5	53.1	51.4	51.0	15.6	19.5	20.7	21.0	24.9	27.4	27.9	28
Sub-Saharan Africa	66.3	62.9	62.0	62.0	7.9	8.5	8.5	8.5	25.9	28.6	29.6	29.5

Source: ILO, Global Employment Trends 2012

Note: p=Preliminary estimates

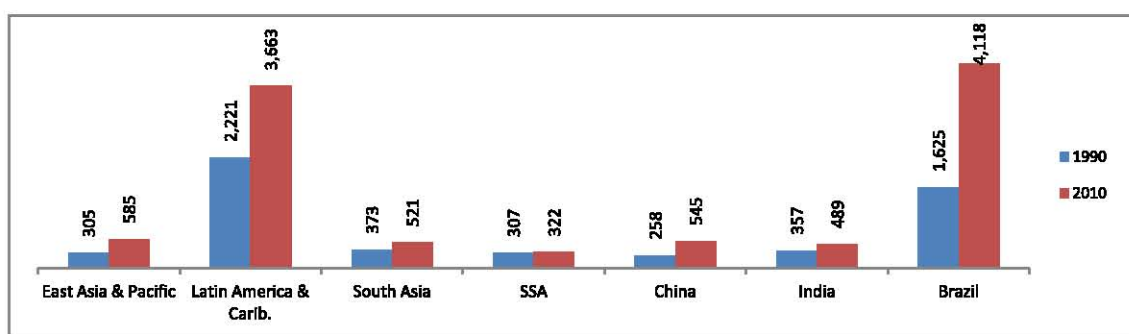
The major source of economic growth in Africa has been the growth of natural resource-extraction sectors, which by their nature are capital-intensive and, with a few exceptions, have limited linkages to the domestic African economies. The Sub-Saharan countries cannot address the problem of unemployment by depending on commodity-driven growth. While several reasons account for the joblessness growth in Africa, a key factor is the boom and bust cycles associated with growth in the region. Growth leads to job creation and wage increases only when it is sustained for a long period of time. The growth in East Asia and Latin America has often been accompanied by high levels of employment and lower poverty rates because of promoting employment-intensive growth, which has not been the case for SSA. Africa can use revenues from natural resources to finance a diversification strategy.

2.2.2 Agricultural productivity

Structural transformation of the Asian and Latin American economies went hand in hand with raising productivity in agriculture. While agriculture productivity in SSA is the lowest compared with the rest of the three regions under review, Figure 2.2 indicates that the productivity has not improved much relative to the level recorded in 1990. Productivity in SSA increased by only 5 per cent between the period 1990 and 2010 compared to increases of 92 per cent, 65 per cent and 40 per cent recorded in East Asia and Pacific, Latin America and the Caribbean and South Asia respectively. In the same period, Brazil recorded an increase (of agriculture productivity) of 153 per cent and China, 111 per cent.

The Latin American and Asian countries were able to raise productivity partly on account of higher mechanization and farm input use. For example, during the period 2007-09, fertilizer consumption, measured as kilograms per hectare of arable land was 10.5 kilograms in SSA compared to about 176 kilograms and 92.2 kilograms for South Asia and Latin America and the Caribbean respectively (WB, 2012a). African agricultural sector also presents low levels of irrigation, inadequate land management, low tractor use, limited access to credit and insurance schemes, poor access to physical infrastructure, limited funding for R&D, and lack of attention to gender inequalities in the sector (UNECA and AUC, 2012a). In addition, African agriculture continues to suffer from limited value addition and weak linkages with other sectors, including agro-processing and agribusiness, fragmented markets and weak regional integration of commodity chains.

Figure 2.2 Agriculture productivity, value added per worker (2000 US\$)



Source: World Bank, World Development Indicators 2012

2.2.3 3. Demographic transition and the growth of youth labour

SSA experienced delayed demographic transition and very high growth rate of labour force (Tables 2.3 and 2.4). In 2010, SSA's share of population aged 0-14 was 42 per cent compared with 22.0 per cent for East Asia, 28.0 for Latin America and the Caribbean and 32.0 per cent for South Asia. Also, during the period 2000-10, growth of the labour force aged 15 and above was higher for SSA (at 2.8 per cent) compared with 1.2 per cent for East Asia, 2.1 for Latin America and the Caribbean and 1.7 per cent for South Asia. The increased bulge within the labour force will likely exert an upward pressure on the labour market resulting in excess labour supply in the medium and long term, particularly in SSA and South Asia.

Table 2.3 Population dynamics in selected countries and regions (%)

Region/Country	Population (millions)			Average annual growth (%)		Age composition in 2010 (%)		
	2000	2010	2020	2000-10	2010-20	Ages 0-14	Ages 15-64	Ages 65+
East Asia and Pacific	1,813.8	1,961.6	2,068.9	0.8	0.5	22.0	71.0	7.0
Latin America & Carib.	514.3	582.6	642.4	1.2	1.0	28.0	65.0	7.0
South Asia	1,398.0	1,633.1	1,860.8	1.6	1.3	32.0	64.0	5.0
Sub-Saharan Africa	666.3	853.4	1,084.2	2.5	2.4	42.0	54.0	3.0
China	1,262.6	1,338.3	1,381.6	0.6	0.3	19.0	72.0	8.0
India	1,053.9	1,224.6	1,385.2	1.5	1.2	31.0	64.0	5
Brazil	174.4	194.9	209.6	1.1	0.7	25.0	68.0	7

Source: World Bank, World Development Indicators 2012

Table 2.4 Labour force participation rates for selected countries and regions (%)

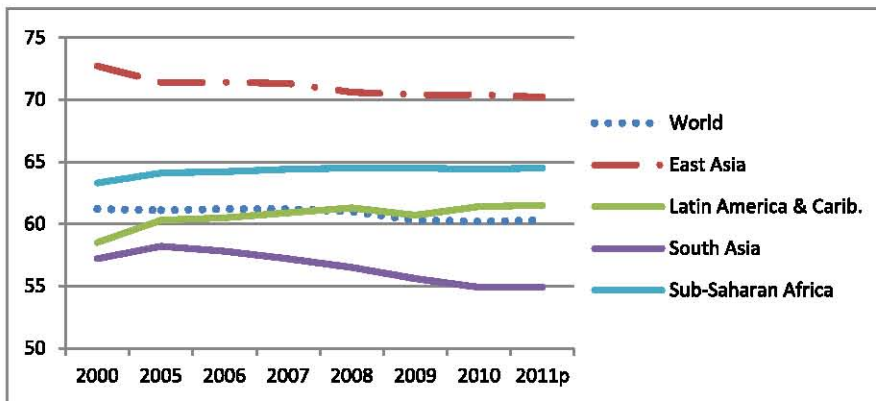
Region/Country	Participation rate (%)				Labour force				
	% ages 15 and older				Total millions		Ages 15 and older	Female % of labour force	
	Male		Female				Average annual %		
	2000	2010	2000	2010	2000	2010	2000-10	2000	2010
East Asia and Pacific	83.0	81.0	68.0	65.0	991.2	1,118.0	1.2	44.3	44.0
Latin America & Carib.	81.0	80.0	48.0	53.0	224.6	278.2	2.1	38.3	41.2
South Asia	83.0	81.0	35.0	32.0	538.8	638.8	1.7	28.2	27.1
Sub-Saharan Africa	77.0	76.0	61.0	63.0	257.2	340.4	2.8	44.9	45.6
China	83	80	71	68	724.5	799.8	1	45	44.6
India	83	81	34	29	409.4	472.6	1.4	27.8	25.3
Brazil	82	81	55	59	83.7	101.6	1.9	41.2	43.7

Source: World Bank, World Development Indicators 2012

The combination of high labour force growth and low capacity to generate decent jobs imply that African economies need to grow faster than East Asian and Latin American countries to absorb the region’s rapidly growing labour force. According to ILO (2007), Africa’s growth should be in double digits for it to result in more decent jobs. This poses a challenge because of the low employment elasticity of growth in SSA. Employment elasticity in SSA during the period 2000-2004 was 0.48, implying that growth is driven not by employment of more workers, but by productivity (ILO, 2007). Continued global economic slow-down may also compound the problem even further because of its depressing effect on employment. ILO (2012) estimates that employment growth in SSA decelerated during the recent global and financial crisis, to an average of 2.7 per cent during the period 2009-2010 from 3.1 per cent in the first six years of this decade (2001-06).

The proportion of employment-to-population, which is a measure of employment-generating capacity of an economy, is particularly high in East Asia whose job creating capacity stands at 70.2 per cent (Figure 2.3). Although SSA’s share stood at 64.5 per cent above the world average, this may be an indication of expanding informal sector. According to ILO (2006), the main increases in employment are in informal sector with those employed in the sector earning meager incomes, mostly less than US\$1 per day—that result in low saving and low private investment. Conversely, in East Asia and Latin America, the informal sector is small and focused not on petty trading, but on higher value added services such as hotels, restaurants, large-scale wholesale and retail trade, telecommunications and tourism (ILO, 2006). In Brazil, self employment during the period 1995-2010 remained very low at an average of 22 per cent, whereas farming employment shrank from 19.3 per cent in 1995 to 11.8 per cent, probably in favor of wage employment that widened from 58.7 per cent in 1995 to 66.5 per cent in 2010 (WB, 2013). China’s farming employment declined from 48 per cent in 1995 to 25.8 per cent in 2010. SSA’s countries should improve its informal sector from lowly paying petty trading to high value added activities, especially services, as means of stimulating other productive and employment-generating sectors of the economy.

Figure 2.3 Employment-to-population ratio for selected regions (%)



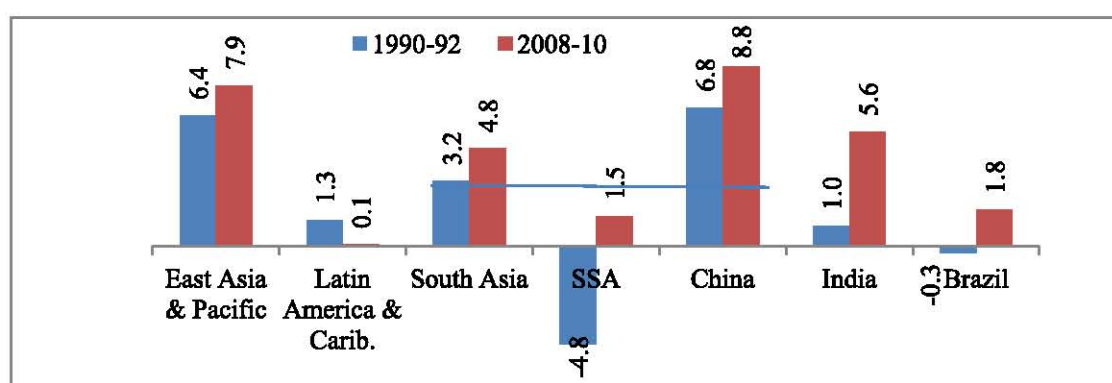
Source: ILO, Global Employment Trends 2012

2.2.4 Market based economic reform

Long-term growth and employment strategies by SSA could as well emulate East Asian and Latin American countries' successful market-based economic reforms. The reforms were accompanied by significant productivity gains and a rapid integration into the world economy, providing greater access to new technology, capital and financial markets. During the pre-crisis period, East Asia and South Asia sustained very high labour productivity growth rates of 8.6 per cent and 5.4 per cent in the period 2002-07 (ILO, 2012). In the post crisis period, labour productivity growth in East Asia dropped just slightly to 7.8 per cent in the period 2008-11, whereas that of South Asia increased to 6.1 per cent owing to strong bounce back of the economy in 2010 and 2011. Likewise, China, India and Brazil recorded impressive labour productivity growth over time. In China, productivity increased from 6.8 per cent in 1990-92 to 8.8 per cent in 2008-10, whereas those of India and Brazil rose from 1.0 per cent and -0.3 per cent to 5.6 per cent and 1.8 per cent respectively (Figure 2.4). In contrast, in SSA, productivity growth was negative in the early 1990s, but it has improved since then, standing at 1.5 per cent in 2008-10.

The process of industrialization in East Asia, like that of Africa, began with import substitution strategies but successfully shifted to export promotion through a combination of policy, institutional and structural reforms (UNECA 2006). In addition to promoting macroeconomic stability, efficient financial systems and openness to foreign trade, East Asian countries provided support to new export oriented industries through directed credit, training and technical skills development among other measures. Large-scale investment in human capital and new technologies brought about significant gains in productivity and international competitiveness in East Asia, where governments employed export promotion strategies that were regularly audited and reviewed in accordance with well-defined targets (Elhiraika, 2008).

Figure 2.4 Labour productivity, measured as GDP per person employed (% growth)



Source: World Bank, World Development Indicators 2012

In China, economic reforms promoted important structural changes and an export-led growth pattern that rests on labour shifts from low-productivity agriculture to higher-productivity industry and services (Table 2.4). This contributed to the growth of industry, manufacturing and services, making them the fastest growing sectors and their shares to total output have increased considerably (Table 2.4). As it was the case for China, India’s performance was also boosted by the eliminations of restrictions on investments by large corporations, reforming of financial markets and improvement of infrastructures, and enhanced fiscal discipline (OECD, 2007). Unlike China, India and Brazil’s shift of production into services has been more rapid. As a result, the services sector share to total output in India remained in excess of 50 per cent during the period 2000 to 2010 (Table 2.4). Although, SSA has been doing well in services, the larger part of it is concentrated in travel and transport; these are activities with very limited inter-linkages with the rest of the economy. In 2010, travel accounted for about 50 per cent of SSA’s total services, whereas transport contributed 35 per cent (WB, 2012a).

Table 2.5 Structure of output for selected countries and regions

Region/Country	Agriculture		Industry		Manufacturing		Services	
	% of GDP		% of GDP		% of GDP		% of GDP	
	2000	2010	2000	2010	2000	2010	2000	2010
East Asia & Pacific	15	11	44	45	31	29	41	43
Latin America & Carib.	6	6	30	31	18	17	65	63
South Asia	24	19	26	26	15	15	50	54
Sub-Saharan Africa	16	13	29	30	15	13	54	57
China	15	10	46	47	32	30	39	43
India	23	19	26	26	16	14	50	55
Brazil	6	6	28	27	17	16	67	67

Source: World Bank, World Development Indicators 2012

Manufactured goods export continued to rank high in their total merchandize exports (Table 2.6). China’s manufactured goods export in 2010 was in excess of 94 per cent of total merchandize exports, making it one of the largest exporters of manufactured goods in the world. According to Kowalski and Dihel (2009), instead of developing a pattern of specialization in low-skilled labour-intensive sectors, as in China, India

specialized in activities that are relatively skill and capital intensive, whereas its manufacturing trade has been highly concentrated in low-technology goods. This explains a growth process that has not been intensive in job creation. In India, labour demand particularly for high-skilled workers has been concentrated in more competitive specialized services, mainly services related to information technology and pharmaceuticals

Table 2.6 Structure merchandize exports in selected countries and regions (%)

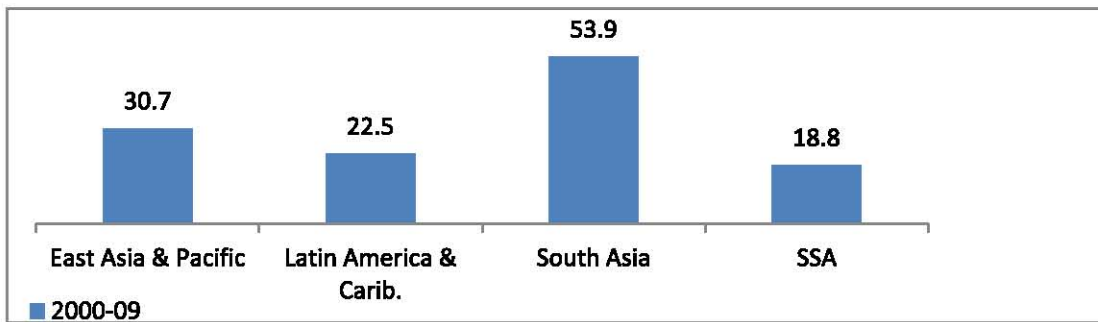
Region/Country	Food		Agricultural raw materials		Fuels		Ores and metals		Manufactures	
	% of total		% of total		% of total		% of total		% of total	
	2000	2010	2000	2010	2000	2010	2000	2010	2000	2010
East Asia & Pacific	8	8	2	2	7	8	2	3	80	79
Latin America & Carlb.	16	16	2	2	17	21	6	10	58	51
South Asia	12	12	2	2	3	13	2	6	80	66
Sub-Saharan Africa	15	15	5	4	37	32	7	18	31	31
China	5	3	1	0	3	2	2	1	88	94
India	13	8	1	2	3	17	3	7	78	64
Brazil	23	31	5	4	2	10	10	18	58	37

Source: World Bank, World Development Indicators 2012

Investment in infrastructure in Africa is fundamental for a number of reasons. Weak physical infrastructure is a major obstacle to investment, broad-based growth and poverty reduction in Africa. Developing infrastructure would lead to a reduction in production and transaction costs, which would improve the competitiveness of businesses and make Africa more attractive to foreign investors. Compared to other regions, there is a large infrastructure gap in Africa, especially in transport, energy and communications. The low income countries in Sub-Saharan Africa have less than 25 per cent of the paved road density of LICs in the rest of the world, 11 per cent of their power generation capacity, 40 per cent of their electricity coverage and 67 per cent of their improved sanitation systems. Viewed over time, SSA had the lowest paved roads as a percentage of total road network compared to the other three regions during the period 2000-09 (Figure 2.5).

According to information presented at a recent World Bank panel on Africa, closing the continent's infrastructure gap will cost US\$ 93 billion a year over the next decade. Current spending on infrastructure is about US\$ 45 billion per year. Closing this gap would not only boost productive potential, but would also help in the fight against poverty by improving access to basic services such as electricity and clean water. Indeed, Africa can be a more integrated market if appropriate investments are made in ports, railways, and roads. Investment in energy and other utilities which stimulate investments including small and medium size investments deserve to be given high priority. Governments could facilitate the financing of investments in infrastructure projects through a number of ways including but not limited to: increased budgetary allocations, bond issuance and offering guarantees to encourage private sector participation through Public-Private partnership (PPP).

Figure 2.5 Paved roads as a per cent of total road network (%)

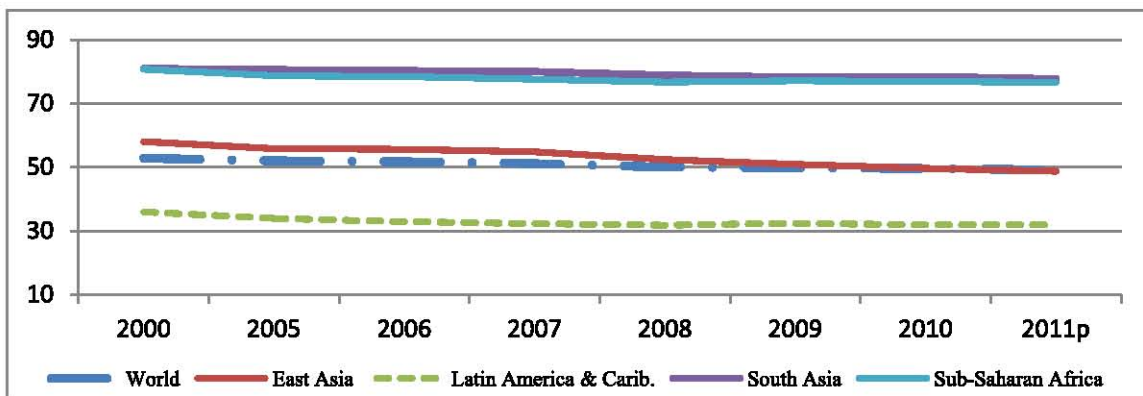


Source: World Bank, World Development Indicators 2012

2.2.5 Poverty alleviation and the provision of safety net

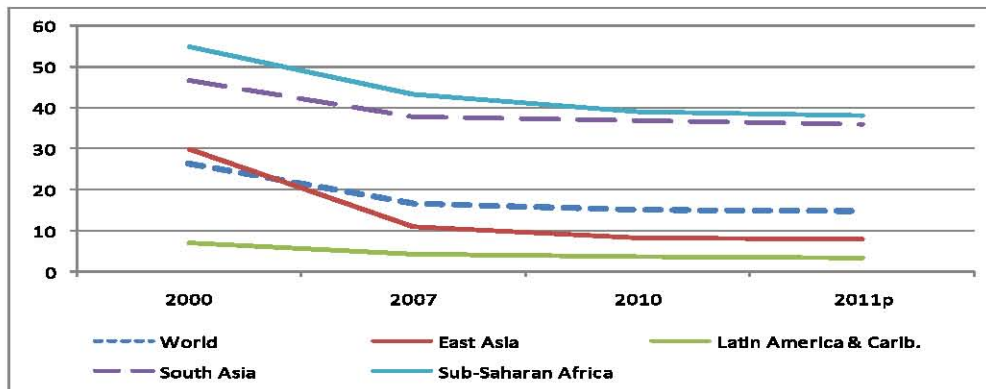
As a reflection of a relatively low unemployment as well as increasing employment in high-quality sectors, Latin American and East African countries have managed to keep vulnerable employment and working poor shares at or below the world averages (Figures 2.6 and 2.7). Although the share of working poor in total employment in SSA is expected to decline to 38.1 per cent in 2011, from 39.1 per cent in 2010, it is still high when compared to the estimated world average of 14.8 per cent in 2011. Vulnerable employment shares are also expected to remain high in SSA, estimated at 76.6 per cent in 2011, compared to 31.9 for Latin America and the Caribbean, 48.7 per cent for East Asia and the world's average of 49.1 per cent.

Figure 2.6 Vulnerable employment rates for selected countries and regions (%)



Source: ILO, Global Employment Trends 2012

Figure 2.7 Working poor shares in total employment, US\$ 1.25 a day category (%)



Source: ILO, Global Employment Trends 2012. Note: p=Preliminary estimates

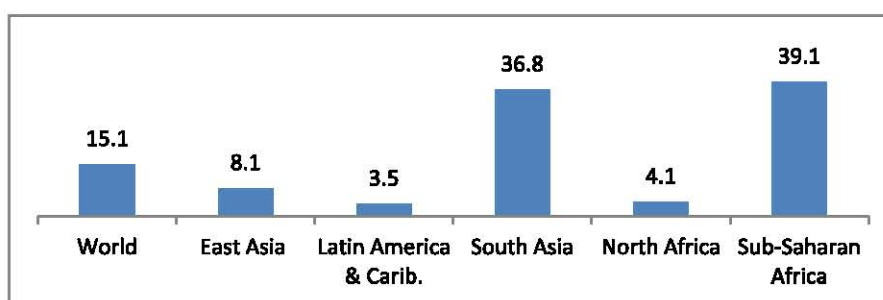
The presence of a relatively large number of working poor in SSA suggests that policy makers in these countries will need to come up with safety nets and other measures to cushion the negative effects of this phenomenon.

Increasing industrial activities is fundamental in reducing poverty. Asia and Latin American countries were able to reduce the share of working poor by expanding their industrial base. Figure 2.8 indicates that SSA which has very narrow industrial base had the highest percentage of working poor (those living on less than US\$1.25 per day), far above the world's average and those recorded by the East Asian and Latin American countries. The prevalence of working poor is also less in North Africa largely due to higher industrial employment in the sub-region than in many SSA countries (UNECA and AUC, 2010).

In the last two decades, SSA was able to reduce the share of its people living on less than US\$ 1.25 a day by only 3.7 per cent, from 593 million people in 1987 to 571 million people in 2008. Still, this record for SSA compares unfavorably with that of East Asia and Latin America and the Caribbean who reduced the share of the people living on less than US\$ 1.25 a day by about 66 per cent and 25 per cent respectively.

With the high incidence of poverty in SSA, efforts should be taken to prevent further decline in life expectancy, in particular by promoting inclusive growth. UNECA and AUC (2010) propose some options. A special fund could be created to provide soft loans to those in the informal sector who cannot otherwise obtain loans through the normal commercial channels. This special fund could be administered by privately owned microfinance banks. Another option could be for governments to subsidize education and healthcare for families whose incomes fall below a certain threshold. Although this may increase fiscal deficits in the short-run, investment in education and health usually raises productivity and income in the long-run. On a temporary basis, government departments and agencies could also consider using direct labour for certain projects.

Figure 2.8 Working poor shares in total employment in 2010 (%)*



Source: ILO, Global Employment Trends 2012. Note: * data for US\$ 1.25 a day category.

Table 2.8 People living on less than 2005 PPP US\$ 1.25 a day*

Region	Percent of Total							Actual No. of People (Millions)		% Changes 1987-2008	
	1987	1990	1993	1996	1999	2002	2005	2008	2008		
East Asia & Pacific	54.7	56.1	50.7	35.9	35.6	27.6	17.1	14.3	845	284	-66.4
Latin America & Carib.	12	12.2	11.4	11.1	11.9	11.9	8.7	6.5	49	37	-24.5
South Asia	55.3	53.8	51.7	48.6	45.1	44.3	39.4	36	593	571	-3.7
SSA	54.4	56.5	59.4	58.1	57.9	55.7	52.7	47.5	593	571	-3.7

Source: World Bank, World Development Indicators 2012. Note: *=Poverty rates at International Poverty Line

Growth in East Asia, in particular, has been more poverty-alleviating than that of Africa because Asian countries have established social safety nets that prevent vulnerable groups in their societies from sliding into abject poverty (UNECA and AUC, (2010). China has been very effective at introducing anti-poverty measures to alleviate hardships suffered by the poor (Liu, 2010). The anti-poverty measures include: subsidized loan program for poor farmers, the food-for work program whereby unemployed people work on public infrastructural projects in exchange for food, consumption subsidies, free education and health care for the poor, and welfare and disaster relief programs. Another intervention would be to ensure that high-quality growth occurs in labour-intensive sectors including agriculture, labour-intensive manufactures, construction, textiles, and services. Increased employment in these sectors would have a positive effect on the working poor and their non-working dependants as well as on the unemployed poor in terms of higher productivity, higher incomes in existing employment or from self-employment. Indeed, successful employment experiences around the world show that increased investment in the dynamic non-extractive non-agricultural sectors is a channel to more and better-paid employment opportunities in the formal sector (UNECA, 2010).

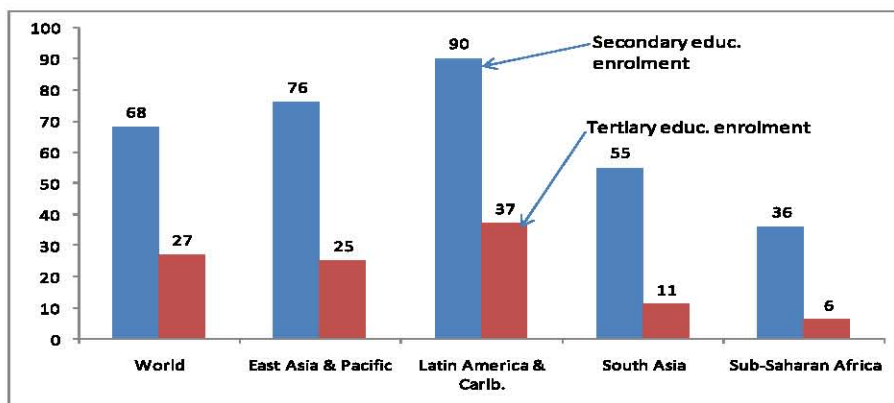
2.2.6 Education

UNECA and AUC (2012) notes that there are 153 million illiterate adults in Africa and two-thirds of them are women. In 2010, enrolment for secondary and tertiary education in SSA was 36 per cent and 6 per cent, far below the world's average of 68 per cent

and 27 per cent respectively (Figure 2.9). While SSA countries have not performed well in this, their counterparts in Latin America and the Caribbean, as well as East Asia and Pacific have experienced the opposite. Latin America and the Caribbean countries' enrolment in secondary education (in 2010) was 90 per cent, while that for East Asia and Pacific was 76 per cent. Both regions have also fared very well in tertiary education enrolment.

In addition, as pointed out earlier, the East Asian success in manufacturing was contributed not only by expanding the industrial base, but also by promoting high technology content of their exports as well as investing in R&D. Africa still lags behind in terms of its education system producing graduates with the skills need for economic development. While about 50 per cent of university students in the Republic of China and Korea major in science, engineering or business, only 20 per cent of African students do so (UNECA, 2010).

Figure 2.9 Education enrolment as a % of relevant education groups (2010)

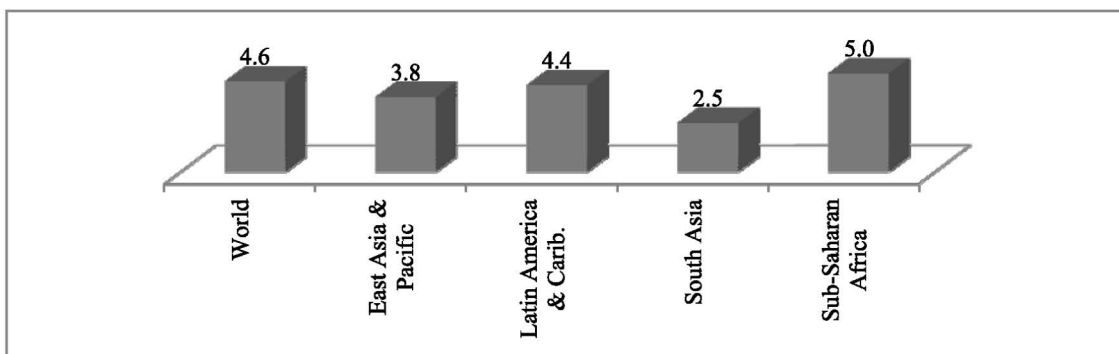


Source: World Bank, World Development Indicators 2012.

The low education enrolment in SSA countries compared to more developed regions or world's averages threatens employability of youths in the high-quality growth sectors. This is a tall order challenge for SSA because education enrolment at both secondary and tertiary levels is very low by world standards. Although education enrolment is the lowest in SSA, public expenditure on education as a percentage of GDP is the highest in SSA. As shown Figure 2.10, SSA spent 5.0 per cent of its GDP on education. This level of expenditure was much higher when compared to the world's average of 4.6 per cent, as well as 4.4 per cent for Latin America and the Caribbean and 3.8 per cent for East Asia, two regions with the highest education enrolments. Despite relatively high governments' expenditures on education, SSA has the lowest level of human capital compared to East Asia and Latin America (UNECA and AUC, 2010). This suggests that the payoffs from educational spending in SSA have not been high enough to justify the huge expenditures. Low level of human capital and skills in Africa compared with high spending on education suggests that SSA governments should reconsider how resources are allocated in education, including enhancing transparency and

accountability in allocated funds, as well as putting in place strategic plans in the educational sector with a view to enhancing efficiency in resource allocation.

Figure 2.10 Public expenditure on education for selected regions in 2010 as % of GDP in 2010



Source: World Bank, World Development Indicators 2012

2.2.7 Health

Africa’s youth population is not only growing rapidly, but also getting better educated and with good health. Table 2.9 summarizes mortality rate and health expenditure in SSA compared with more developed economies of East and South Asia and Latin America. Although infant and under 5 mortality rates per 1,000 live births is higher in SSA than those recorded in the more developed regions, it declined by about 30.9 per cent and 27.6 per cent in the period 1990-2010, thanks to elevated government expenditure on health. This has enabled young people to have better chances of surviving into old age partly due to improvements in nutrition and health status of people entering the labour market each year (UNECA, 2010).

SSA has recorded some progress in addressing health problems, but when compared to other comparable regions SSA seems to lag behind. Education and health are important because they provide the basis for building national capabilities to improve the productivity and competitiveness of countries. Addressing the challenges in these areas requires both supply- and demand-side measures. Bearing in mind that Africa hosts the youngest population in the world, there is a need to equip this demography with the relevant skills needed for the continent to acquire and innovate technologies appropriate for tackling its challenges. Targeted skills development to reduce youth and female unemployment is essential in this regard. The Arab Spring and recent conflicts in some African countries illustrate how discontented youth can prompt change or threaten a nation’s peace and security (UNECA and AUC, 2012b).

Table 2.9 Mortality rates and health expenditure

	Infant mortality rate		Under 5 mortality rate		Adult mortality rate		Health expenditure	
	Per 1,000 live births		1,000 live births		per 1,000 Males	per 1,000 Females	Total % of GDP	Public % of total
	1990	2010	1990	2010	2006–10	2006–10	2010	2010
East Asia & Pacific	42	20	56	24	157	105	4.7	53.4
Latin America & Carib.	43	18	54	23	181	98	7.8	50.2
South Asia	86	52	120	67	239	166	3.8	30.0
SSA	105	76	175	121	379	346	6.5	45.1

Source: World Bank, World Development Indicators 2012

2.2.8 Macroeconomic stability

Another important lesson is that macroeconomic stability matters for growth and employment. Almost all of the high-growth countries in East Asia and Latin America consistently implemented economic reforms that led to lower budget deficits, inflation and interest rates, as well as increases in saving and investment rates. This was partly made possible by having in place reform minded leaders. According to UNECA and AUC (2012a), African leaders tend to be risk averse, often reluctant to move away from the status quo, and probably because of ethnic fractionalization, they are often under pressure to respond to the needs of a diverse set of interest groups. This makes a unified and consistent economic policy difficult to implement.

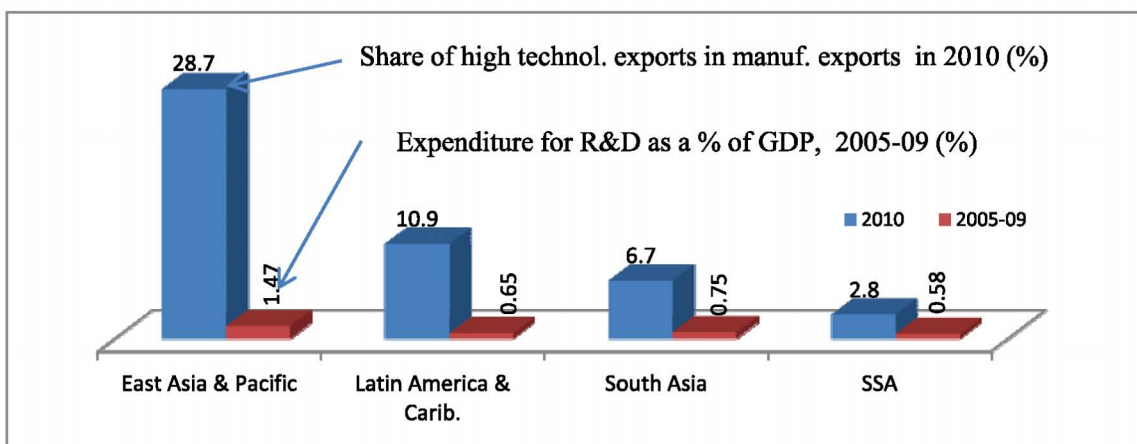
2.2.9 Industrial policy

One common feature of successful East Asian countries is that they implemented industrial policies that targeted specific sectors of the economy. Certain industries were protected and given preferential access to credit, on the condition that they achieved international competitiveness. This is contrary to the blanket and untargeted protection that some countries provide for local industries. African countries should, among others, nurture, encourage and assist industries that show potential for achieving international competitiveness. Wherever we have targeted formal manufacturing – medium and large scale, we should pay particular attention to linking it using the natural resources and agricultural products locally produced. This will ensure that we simultaneously create jobs, while we add value to our primary commodities through either agro processing, agro industry or processing of other natural resources. SMEs can also be linked to this category of labour intensive industries by serving as suppliers of different types of inputs as it is done in China and other parts of the world.

Another feature characterizing the Asian and Latin American exports is the high technology content of their exports and investment in R&D. In 2010, the share of high technology exports in manufactured exports was very high for East Asia and Pacific (28.7 per cent), followed by Latin America and the Caribbean (10.9 per cent) and South Asia (6.7 per cent), whereas that for SSA was below that of the leader by 25.9 percentage points (Figure 2.11). The SSA's poor performance is largely attributed to low manufacturing activities, as well as very low expenditure on R&D. The period 2005–09 saw SSA spend only 0.58 per cent of its GDP on R&D, compared to 1.47 per cent of GDP for East Asia. While Asian and Latin American countries have enhanced

technological content of their exports, Africa's exports have continued to be dominated by primary and natural resource-based commodities and by low-skilled, labour-intensive manufactures (UNECA, 2010). Although manufactured exports accounted for up to 20 per cent of total exports in 11 African countries, only Mauritius, South Africa, Zimbabwe, Tunisia and Morocco seem to be major exporters of manufactured products (UNECA and AUC, 2012b).

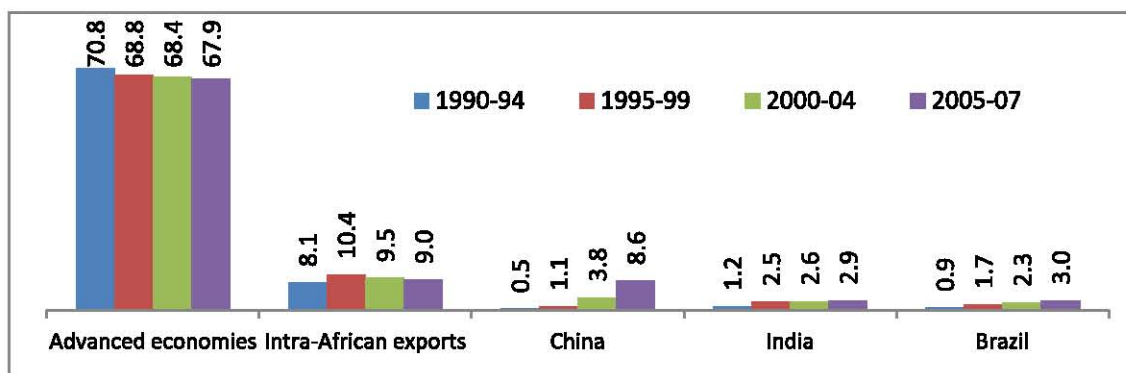
Figure 2.11 High technology exports and expenditure on R&D (%)



Source: World Bank, World Development Indicators 2012

The market for the Africa's exports has continued to be dominated by the advanced Western economies, which, accounts for more than two thirds of total exports. The share of the exports to the advanced countries is declining, albeit gradually, in favor of the emerging economies in particular, China, India and Brazil (Figure 2.12). Because Africa's export portfolio remains predominantly based on raw material, its export earnings are contingent on commodity price fluctuations. This exacerbates the continent's susceptibility to external shocks and bolsters the need for export diversification to include exports with high content of technology and services. African countries need to diversify their trading partners within and outside the continent. Pursuing deeper regional integration will improve the low levels of both intra-African and internal trade.

Figure 2.12 Pre-crisis Africa's exports destinations (% of total)



Source: UNECA, Economic Report on Africa, 2010

2.2.10 Higher value-added activities

Informal sectors of East Asia and Latin America consist of high value-added activities. African countries should encourage the participants in the informal sector to move from low-value added, non-tradable activities to high-value added activities that can generate foreign exchange. The activities include processing of fruits, handicrafts, locally-made textiles, and pottery. Governments must focus on removing obstacles to the many small firms in the informal sector, helping them to grow and create decent jobs. At the same time existing large firms, the primary source of decent jobs today, must be supported to grow further and become more competitive. The biggest barriers to firms of all sizes are infrastructure (especially electricity) and access to finance, as well as labour regulations and the skill level of the workforce particularly in better off countries (AfDB et al. 2012).

2.3 Poverty alleviation in Brazil

2.3.1 Evolution of the Bolsa Familia Program

In this Section, we review recent experiences in poverty alleviation in Brazil and India. The narrative from Brazil describes a successful conditional cash transfer (CCT) program known as the *Bolsa Família* Program (BFP). BFP received worldwide recognition such as “helping to reduce current poverty, and getting families to invest in their children, thereby breaking the cycle of intergenerational transmission and reducing future poverty” and thus “changing the lives of millions in Brazil” (World Bank website).

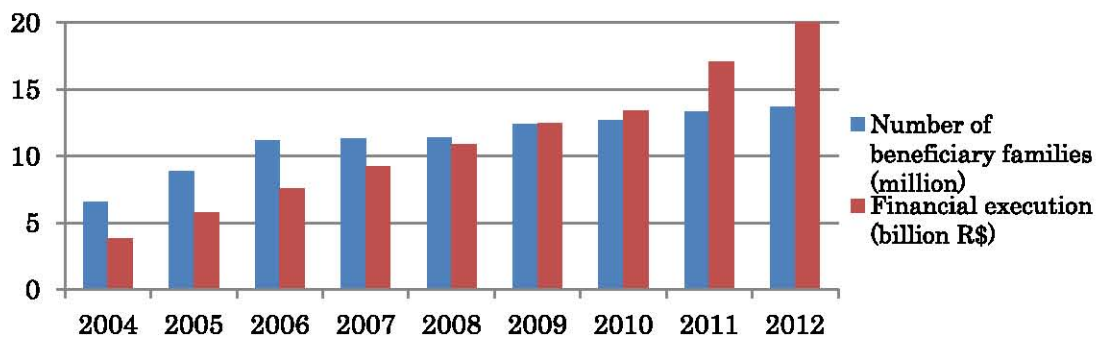
The first conditional cash transfer program was introduced into Brazil in 1995 as local social welfare programs in a few municipalities. These programs provided continuous cash income in small amounts to poor households, conditional on school attendance by children. Because of success at the local level, Bolsa Escola was scaled up to the national. The federal government launched other social programs of cash transfers to extremely poor families as well: a Nutrition Subsidy (2001), which conditioned mothers to seek pre-natal care; a Gas Subsidy (2002) that was unconditional; and a Child Labor Eradication Program (1996), which established children’s minimum school attendance.

Those programs had limited impacts, however, mainly because of operational problems. Each program was implemented by a different ministry: Bolsa Escola under the Ministry of Education; the Nutrition Subsidy under the Ministry of Health; the Gas Subsidy under the Ministry of Energy and Mining; and Child Labor Eradication under the Ministry of Welfare and Social Assistance. They lacked systematic inter-ministerial coordination and a common data platform.

In 2003, the government unified the cash transfer programs described above and established the Ministry of Social Development and Fight against Hunger (MDS) to coordinate social assistance programs targeting poverty. BFP, which resulted from this consolidation, was officially launched in January 2004. Poor households having per-capita monthly income less than R\$100 (about US\$ 33) with children 6–15 years old was eligible for BFP. The benefit per-child of was raised to R\$18 (about US\$ 6) from R\$15 (about US\$ 5) under Bolsa Escola. The unconditional basic monthly stipend for extremely poor household, with or without children, whose per capita family income is below the half of the program eligibility cut-off was also introduced. It is usually an adult female representing a family who receives a Citizen Card, with which she can withdraw cash at local branches of the federal bank Caixa Econômico Federal (Caixa).

As shown by Figure 2.13, the number of beneficiary households of BFP rapidly expanded to exceed 11 million by 2006 when President Lula was re-elected. This achieved the preliminary goal of covering the population under the poverty line derived from the 2000 population census.

Figure 2.13 Evolution of BFP.



Source: MDS

After the initial phase of coverage expansion, BFP entered the next stage of upgrading the benefit. Figure 2.13 presents the growth of financial execution of BFP. BFP’s per-child conditional benefit was increased to R\$20 (about US\$ 10) in 2007, R\$22 (about US\$ 12) in 2008, and R\$32 (about US\$ 16) in 2011), covering up to five children. The sharp rise of the financial execution in 2011 resulted from the 45% increase in the per-child benefit and inclusion of the youth of 16–17 years old up to two per household. The unconditional basic stipend to extremely poor people had been raised gradually from R\$58 (about US\$19) in 2004 to R\$70 (US\$35) in 2011.

2.3.2 Operational framework of BFP⁹

(1) Eligibility

Targeting the beneficiary population of the program to minimize errors of both inclusion and exclusion is a key feature in the effective use of CCT for poverty reduction. In BFP, targeting was made in two stages. First, the federal government allocated BFP quotas to municipal governments based on the identified poor households derived from 2000 population census. Within municipalities, means-testing through interviews by household site visits or at public locales were used to determine family eligibility. Households wishing to be enrolled in BFP must be registered in the registry database known as Cadastro Único (CadÚnico). Program eligibility is determined by MDS. BFP's centralized selection of beneficiaries differs from that used under Bolsa Escola, where selection was made by municipalities causing considerable heterogeneity and confusion.

(2) Conditionalities and monitoring

Although basic education is fundamental human right, poor families tend to compel their children to work at a much younger age. As they grow up, they remain poor because the lack of educational opportunity deprives younger people of jobs that earn a decent income. Lack of income and knowledge, and myopic preferences in consumption induce poor parents to avoid investment in children's skills or capabilities. According to MDS, more than 80% of the adults of BFP beneficiary families lack education: 16.7% are illiterate, 65.4% did not complete primary education. Conditional cash transfer programs aim to change such parental behaviour to break the intergenerational poverty cycle by making it explicit that it is the responsibility of parents to guarantee access to primary health and education for children, while the society is responsible for alleviating current poverty of responsible parent through cash transfer. In this regard, CCT is sometimes regarded as a 'co-responsibility' or 'joint-responsibility' program.

To be concrete, in the area of education, children of 6–15 years old matriculated in public schools should meet a more than 85% of school attendance rate every month. For young people of 16–17 years old, at least 75% of school attendance must be met. No condition exists for scholastic attainment or grade repetition.

In the area of health, it is the obligation of parents to compel children under 7 years old to take required vaccines and frequent community health centres for medical examinations and height and weight measurements according to the schedule determined by the Ministry of Health. Pregnant women and breastfeeding mothers are required to pre-natal and post-natal parent workshops and have their own checkups at medical institutions to receive advice for the healthy feeding of infants.

Data of family members related to the fulfilment of conditionalities collected at schools and medical institutions are gathered by municipal government and are inputted in the

⁹ This part draws from Lindert et al. (2007)

CadÚnico database. Those data are sent to the ministries of education and health, which monitor beneficiaries, then the information is forwarded to MDS.

Families who do not fulfil conditionalities are instructed progressively with 1) warnings, 2) temporary suspension of benefits for 30 days, 3) 60 days of suspension, and 4) loss of eligibility.

2.3.3 Evaluation

In contrast to the Mexican experiences in CCT Progresa/Oportunidades, evaluations of Bolosa Escola and BFP are scarce and much less systematic, which is unfortunate because BFP was not randomized.

In Brazil, two official evaluations have been conducted, known as *Avaliação de Impacto do Bolsa Família* (AIBF). The first-round evaluation (AIBF I) was conducted in 2005 by Fundação de Desenvolvimento da Pesquisa and Centro de Desenvolvimento e Planejamento Regional of the Federal University of Minas Gerais on 15,426 household random samples of beneficiaries a non-beneficiaries from Cadastro Único database. The second-round evaluation (AIBF II) was done in 2009 by Washington D.C. based International Food Policy Research Institute, which researched 74% of AIBF I households. AIBF II performed quasi-experimental analysis establishing a treatment group (non-beneficiary in 2005 and beneficiary in 2009) and a comparison group (non-beneficiary in 2005 and non-beneficiary in 2009).

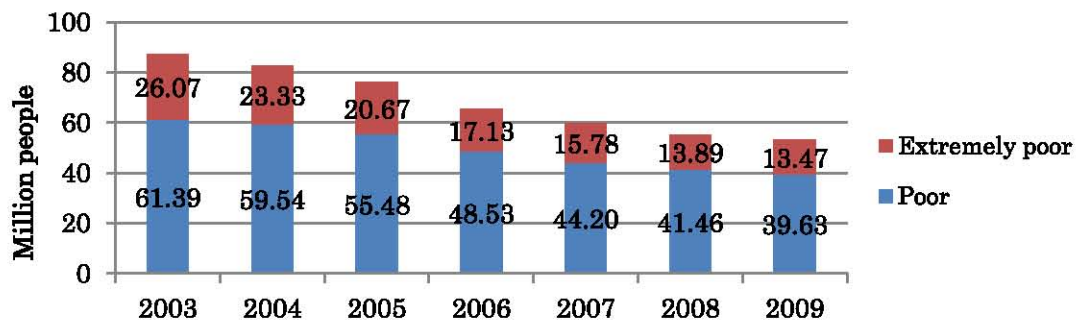
2.3.4 Outcomes

2.3.4.1 Poverty reduction

In 2003, an estimated 87 million people were poor or extremely poor. The number dropped to about 48 million by 2009, which implies that, although about one-third of the Brazilian population of more than 190 million is still in circumstances of poverty, more than 33 million, equivalent to the total population of Uganda, escaped poverty in six years (Figure 2.14)

It remains a subject of debate how much of this achievement can be attributed to the impact of BFP because a remarkable improvement in the labour market took place during that period. Between 2003 and 2009, when real GDP per capita grew 2.7% annually, formal employment increased about 35%, the unemployment rate dropped from 12%–7%, and the minimum salary was almost doubled. According to Lindert et al. (2007), BFP has the advantage of highly accurate targeting: 73% of the transfers of the BFP going to the poorest quintile and 94% going to the poorest two quartiles. The analysis reported by Kakuwani et al. (2010) revealed that the accuracy in targeting the conditional cash transfer in Brazil played an important role in promoting pro-poor growth and considerable reduction of income inequality.

Figure 2.14 Poverty reduction in Brazil.



(Source) IPEA Data. Poverty line is defined by IBGE.

2.3.4.2 Education outcomes

The 2009 AIBF II evaluation (MDS 2012) found BFP's positive contribution to children's education outcomes: beneficiary children of 6–17 years old showed 19.9 percentage points higher enrolment and 6.0 percentage points higher grade promotion than non-beneficiary children. The schooling rate of 14 year old boys of beneficiary families was slightly higher than those of non-beneficiaries. Such a difference is much greater with respect to 15–17-year-old boys. The schooling rate of girls of beneficiary families is also slightly higher than those of non-beneficiaries at a younger age, and is considerably higher at 15–17 years of age. The same survey also revealed that children and youth of beneficiary families had a lower rate of abandonment and repetition compared to those of non-beneficiaries. The AIBF II evaluation concludes that BFP has large effects on keeping children in school after age 14.

Using panel data constructed with school census data from 1998–2005 comprising data from over 100,000 schools, Glewwe and Kassouf (2012) showed that Bolsa Escola/Familia programs increased enrolment by about 5.5% in grades 1–4 and 6.5% in grades 5–8, decreased dropout rates by about 0.5 percentage points in grades 1–4 and 0.4 percentage points in grades 5–8, and raised grade promotion rates by about 0.9 percentage points in grades 1–4, and 0.3% points in grades 5–8. The authors argue that social impacts should be about three times as high considering the spillover effects, which improved outcomes of non-participants in the program. Based on the estimate that Bolsa programs had an impact of 18% increase in years of schooling and other estimates based on household survey that additional year of schooling raises wages by 11%, the authors found that BFP increased wage income by 0.8% of GDP. Although this amount exceeds the program costs of 0.4% of GDP each year, the authors point out that it is unclear whether the benefits exceed the costs because this simple comparison ignores the increases in education costs to match increasing enrolment. The comparison also ignores benefits of improved health of children and some externalities such as higher social cohesion from reduced income inequality and expected higher macro-level productivity by raising education levels.

Despite various concurring evaluations of BFP showing positive effects on increased enrolment and extended years of schooling, little evidence exists of its impact on children's scholastic attainment and development of cognitive skill. Two unpublished papers contribute to elucidating this issue. One paper by Santarosa (2011) showed that BFP beneficiary children did no better than non-beneficiaries in Portuguese and

mathematics test scores. In addition, Simões (2012) reported that the length of enrolment in the program and per-capita amount of cash transfer have a positive impact on educational outcomes measured by test scores of Portuguese and mathematics. The author points out that cash transfer can be an important ally for education-specific policies to obtain higher yields.

2.3.4.3 Labour market integration

MDS (2012) observed a general decline in the labour market participation rate of children between 2005 and 2009: for 11–15 years old from 6.3%–4.6%, for 16–17 years old 22.9%–15.7%. Under such a general tendency, being a beneficiary of BFP did not have significant effects in reducing children's labour market participation ratios. However, BFP had a small but significant effect of delaying children's labour participation by 0.8 years, and more expressively, reducing hours of some work activities at home for 4.5 hours per month.

Ferro and Kassouf (2010) investigated the impacts of Bolsa Escola on 6–15-year-old children's labour participation by the probit regression using household survey data of 2001. They conclude that Bolsa Escola reduced children's hours of work by about three hours each week but the effects on families' decision on avoiding children's participation in the labour force was inconclusive. The authors argue that the amount of cash transfer was just sufficient to keep out children engaging in part-time works but fell short of influencing those earning full-time salaries to abandon jobs and to stay in school.

Consequently, as Machado et al. (2011) observes, CCTs in Brazil have not removed children from the labour market but have reduced the time they work because part of the day is taken up with schooling.

Turning to labour market participation of adults of beneficiary families, MDS (2012) reports that labour participation rates of beneficiaries and non-beneficiaries are equivalent, and that BFP have no significant impact on beneficiary families' decisions related to the adult labour supply. Among women, labour participation rates of beneficiaries were slightly lower than that of non-beneficiaries in 2005 (51% and 54% respectively), which showed a convergence in 2009 (58% and 59% respectively). Whereas non-beneficiaries reduced weekly working hours by at least one hour (41.8 to 40.2), beneficiaries remained almost unchanged (40.9 to 40.2). Therefore, these observations do not support the hypothesis that benefits received from BFP can reduce working hours. It is particularly interesting that MDS (2012) found that beneficiaries reduce working hours in the formal labour market (8.8 hours weekly) and increased equivalent working hours in the informal labour market. The report explains that some beneficiaries switched from formal jobs to informal ones because of the misunderstanding that they might lose income transfer if they had kept formal jobs.

Their finding of increased informality contradicts the result obtained by Machado et al. (2011). According to their study, between 2004 and 2006 there was a downward trend in the informality rate and a rise in social security contributors for all groups, including beneficiaries. They also found increased labour participation of adult women in beneficiary household (39–41%), which is explained by several factors such as economic growth, higher school attendance by children, which frees mothers to look for work, the expansion of PBF coverage among employed women, and the empowerment of women, encouraging their entry into the labour market.

Machado et al. (2011) argues that the fall in informal labour force participation as a consequence of the program would mean that poorest individuals, when they are beneficiaries, are able to refuse the worst forms of work (dangerous, forced, and extremely low wages). This corroborates the remark by Senator Cristovam Buarque (2005), who introduced a conditional cash transfer program for the first time in Brazil in 1995 in the Federal District (Brasilia) where he was the governor: “The Bolsa Escola in itself constitutes a social employment program. The monthly income paid to poor mothers allows them to act as guardians of their children’s education.”

2.3.4.4 Nutrition and Health

According to the AIBF II evaluation, beneficiary children showed a higher vaccination coverage ratio and pregnant women made more visit for pre-natal care. MDS (2012) points out that although a considerable reduction in chronic malnutrition was found, no statistically significant difference was found between beneficiaries and non-beneficiaries of BFP. Beneficiary families follow the schedule of DTP vaccination with second dose 15.5 points, and third dose 26 points higher than non-beneficiaries.

Paes-Sousa et al. (2011) examined nationwide Health and Nutrition Day survey in 2005–06 covering 22,375 children in which about 41% were exposed to BFP. They found that enrolment of BFP children aged 12–35 months and 36–59 months respectively had 19% and 41% higher chances of having adequate height for their age than children not enrolled in the program.

2.3.4.5 Program implementation

Brazilian experience shows that CCTs require sufficient administrative capacity. Coordination among ministries of diverse areas and between central and local government are crucial. It is important to use decentralization and centralization properly. While face-to-face contact with actual and potential beneficiaries at the local level will transfer high-quality information, the selection of eligible beneficiaries and monitoring of them should be done by a centralized office under common criteria to avoid confused local heterogeneity. We have also seen that a common database has a fundamental role in targeting, monitoring, and evaluation processes. Municipalities assume responsibility of registering potential beneficiary (= poor households) and update their information related to income, employment, health, and child education. The decentralization of CadÚnico operation was performance-based, where MDS monitors the implementation ability of municipalities (matching the municipal BFP quota and the frequency of updating the database) and transfer operational funds according to the quality of tasks they are able to perform. Municipalities send collected information to the central CadÚnico database in electronic format operated by the Caixa. The information is collated with those in the Employment Registry (CAGED) of the Labor Ministry for income status, Social Security Registry (CNIS) of the Social Security Ministry to ascertain whether or not they are receiving social security benefits, and the Deceased Registry for cases involving death. It is also cross-checked with the Supreme Electoral Tribunal to avoid cases in which people in public office positions would be occupied by a beneficiary of social programs.

Kaufman, Ferrara, and Brollo (2012) investigated how families respond to receiving warnings of non-compliance of conditionalities. They observe that recipients perceive the arrival of warning as not deterministic but as having a random component. Therefore, they do not necessarily change behaviour if they do not take the warning severely. They also update their beliefs in the strictness of penalties that they might

receive depending on the timing of the warning. In other words, they react less to the warning if they receive a warning late. This paper reported also that families learn from the experiences of their peers: warnings received by peers (such as other BFP beneficiaries in the same school) increase the recipient child's attendance. These findings suggest the importance of coherent and strict enforcement of conditionalities and suggest that the lack of such capacity in the government complicates the achievement of human resource development.

Fenwick (2008) argues that "Bolsa Familia was successful because of its ability to avoid powerful state-based governors." (p. 104). This remark reflects the strong influence of state governors in federal politics because local traditional families use their power to control the election of deputies to the national congress and control the legislative agenda (p. 107). Before the introduction of BFP, the Organic Law of Social Assistance in 1993 attributed the execution of all programs confronting poverty to the municipal level. The provision of basic education and primary healthcare had been already decentralized to municipalities, which was run by the financial transfer from the federal government in amount depending on the municipal population size and the quality of services they provide. In BFP, municipalities were given responsibilities for monitoring conditionalities in public services that had been under their jurisdiction. At the federal level, when various types of cash transfer programs implemented under different ministries were consolidated into BFP, MDS was created to become a single institution to organize the entire process. According to Fenwick's account, these changes reduced administrative costs and produced more efficient systems, shifted powers from states to municipalities, and promoted a fortified relationship between citizens and the federal government mediated through municipalities, which became more accountable to the well-being of local residents.

Janvry et al. (2010) showed that good-practice mayors were rewarded in elections. Their empirical results showed that the program's impact was 36 percent greater in municipalities governed by mayors who faced re-election possibilities compared to those with lame-duck mayors. First-term mayors with good program performance were much more likely to get re-elected. These mayors adopted program implementation practices that were not only more transparent but also associated with better program outcomes. They conclude that the presence of formal local institutions, particularly electoral rules that enable voters to reward and which punish locally elected officials, is crucial for reaping the benefits that decentralization can provide.

2.4 Rural job creation in India

2.4.1 NREGA Project

Indian labour markets are huge, employing 459 million workers in 2009–10. However, the period of faster economic growth in India during 2004–05 to 2009–10 has been characterized as having jobless growth with employment addition of only one million workers.

Agricultural land is the most important productive asset in rural India. However, the distribution of land is not even. The proportion of marginal and small farmers owning fewer than 2 hectares of land remains above 80 percent that own only 40 percent of

the agricultural land. The decline in the size of land-holdings renders numerous holdings to be economically unviable day by day. Declining employment opportunities in agriculture and absence of sufficient employment opportunities in the rural non-farm sector are exacerbating the problem of unemployment and underemployment in agriculture. Owing to the distressed nature of rural labour markets, the lack of cultivable land translates directly into the compulsion for undertaking casual wage employment activity for both the male as well female workers.

Under such a circumstance, the National Rural Employment Guarantee Act (NREGA) was established on September 7, 2005 which the Indian government acknowledges as “the largest employment programme in human history” (Planning Commission 2012, p.286). NREGA aims to enhance employment opportunities in rural areas by providing at least 100 days of guaranteed wage employment per year to every household with adult members willing to do unskilled manual work. Under NREGA, rural workers are entitled to obtain a job card free of charge. With the job card, a worker can apply for work at any time at the Gram Panchayat, or the village level government office, which is responsible for providing employment for the statutory minimum wage within 15 days. Otherwise, applicants have rights for unemployment allowance from Gram Panchayat.

The NREGA projects include: water conservation and water harvesting; drought proofing, micro irrigation works; provision of irrigation facility to land owned by SCs & STs and Indira Awas Yojana (housing scheme for poor households); beneficiaries; renovation of traditional water bodies; land development; flood control and protection; rural connectivity; and any other activities approved by Ministry of Rural Development (Government of India, Ministry of Rural Development 2008: p. 159). Unskilled manual work or activity related to water resource management is regarded as extremely important for the NREGA. Land development and road building are also emphasized.

The NREGA was implemented in 200 districts in the first phase, with effects from February 2, 2006, subsequently extended to an additional 113 and 17 districts taking effects from April 1, 2007 and May 15, 2007, respectively. The remaining districts were included under the Act taking effect from April 1, 2008.

2.4.2 Economic Impact of NREGA on Rural Labours in India

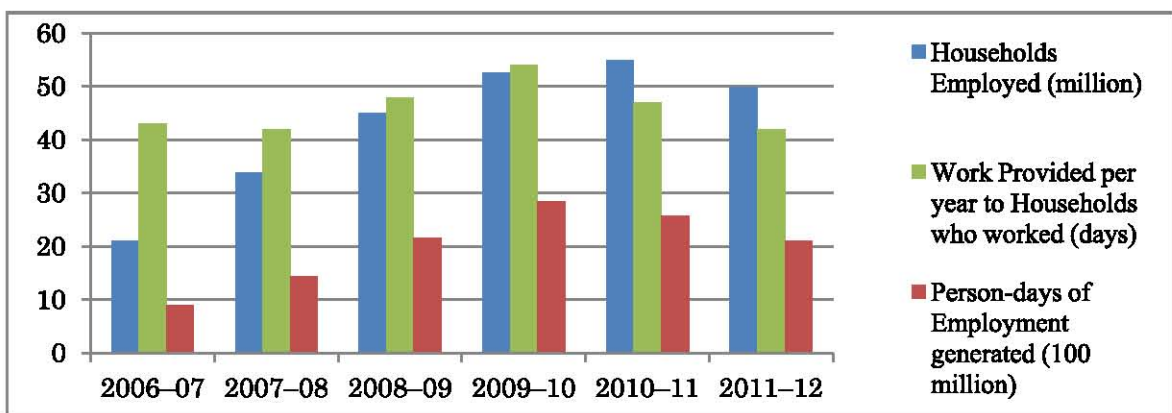
In 2011–12, around 50 million households were provided more than 40 days of employment per household. More than 2 billion person-days of employment were generated. Over the last six years, the NREGA has provided 276 days of works per household and 12 billion person-days employment to 257 million households (Fig. 2.15).

In 2011–12, the NREGA executed 7.4 million work projects and disbursed 37.5 billion rupees. Average wages per day under the NREGA rose more 40% from 65 rupees in 2006–07 to 117 rupees in 2011–12 (Fig. 2.16).

NREGA has two distinguished features in its implementation. Firstly, men and women are paid equally. Not only that Indian labour markets are dominated by male workers, whose overall proportion is more than 70 percent of the total workforce, but also that Indian labour markets exhibit a strong bias against female workers. Women workers largely bore the brunt of sluggishness in the labour markets: almost 20 million of the rural female workers withdrew from the workforce during 2004–05 and 2009–10. The results of Azam (2012) particularly shows that the NREGA has positive and significant

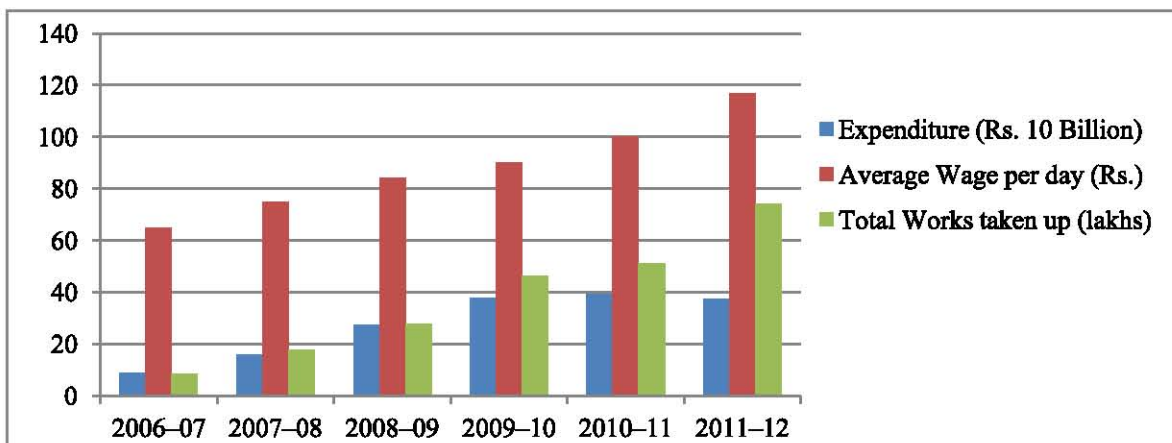
impacts on the wages of female workers. Second, the Gram Panchayat is the main body for implementing NREGA. We must mention the Gram Panchayat. The Gram Panchayat is local self-government institution at the village level, constituting a foundation of the three-tier Panchyati Raj (local self-governance) system. In addition, the Gram Sabha, a village assembly consisting of persons registered in the Gram Panchayat election, monitors and regulates the behaviour of the Gram Panchayat. The 73rd Constitutional Amendment of 1993 devolved powers to Panchayats for the planning and implementation of the poverty alleviation programs.

Figure 2.15 NREGA performance on employment generation: 2006–7 to 2011–12



Source: Government of India, Planning Commission (2012: vol. 2, p. 287).

Figure 2.16 NREGA performance on expenditure, wage rate and works taken up: 2006–7 to 2011–12.



Source: Government of India, Planning Commission (2012: vol. 2, p. 287).

2.4.3 Evaluation of NREGA's benefits

In this section, we briefly review previous evaluations of NREGA. Although previous evaluations of NREGA identify some shortcomings in the project its overall impact is positive.

Using a difference-in-difference approach, Azam (2012) finds that (1) the project increased labor force participation, especially among women; (2) increased wages of female casual workers; (3) reduced the gender gap in wages. These effects are precisely estimated.

Aggarwal et al. (2012) argues that the wells created by the project have enabled diversification of crops, increased farm incomes, improved household diets, and increased access to drinking and bathing water. However, the process of constructing wells is not transparent, has encouraged corruption, and forced well some owners to mortgage assets to finance uncompleted wells. That is, project implementation is poor. However, despite this shortcoming, the project has had a a positive overall outcome. These results are based on rapid and non-rigorous assessment of the project.

Using survey data and media reports, Solinski (2010) finds that NREGA has not curbed rural-urban migration but has benefited people without opportunities to migrate, particularly scheduled castes and tribes. The author argues that failure of NREGA to reduce migration is not a shortcoming of the project because even the rural poor want to emigrate for non-employment reasons.

The independent evaluation commissioned by Ministry of Rural Development, India (2008) is very critical of NREGA and concludes that the project has not been properly implemented. The responses of the ministry to the audit shows that some of the implementation problems are being addressed.

Liu and Deininger (2010) first summarize the strengths and weakness of NREGA based on previous literature and then present their findings from one state based on difference and difference approach. We should note however that since the project was not randomized, identification of impacts relies on the fact that program was initially implemented in some states and not others.

Strengths of NREGA

- induced high female participation in public works employment;
- improved decentralization and made local government processes more transparent (NB: other studies disagree on this);
- is a safety net for the poor.

Weaknesses of NREGA

- it is high cost;
- it is inefficient;
- it has encouraged corruption;

-- it has raised local wages drawing labor from other activities where productivity might be higher.

Based on these understandings, Liu and Deininger (2010) assess that:

- NREGA targets the poor;
- NREGA has increased consumption expenditure of the target group (the poor);
- NREGA has increased asset accumulation (although other studies find that public assets constructed under NREGA like roads or dams are of poor quality);
- NREGA has increased intake of energy and protein; and
- The short-run benefits of NREGA exceed short-run costs.

World Bank (2011) presents a comprehensive evaluation of India's Social Protection Programs, including NREGA, at the invitation of Government of India (Planning Commission). In this report, the World Bank notes serious implementation problems with NREGA but also notes that it is a promising example of a program that can be re-designed to improve its effectiveness. – Despite the criticism, stoppage of the program is not recommended; instead, the World Bank suggests that a similar program be designed for urban areas to prevent poverty. The World Bank also recommends that human capital building element be introduced in NREGA, perhaps along the South African model where workers benefiting from public works program receive 2 days of training per month. The World Bank is critical of NREGA but finds it is a promising social protection program – but it needs to be better implemented. The report highlights Indian districts where innovations in implementing NREGA have taken place.

2.4.4 Some remarks on experiences of Brazil and India

Both Brazil and India have struggled with daunting levels of poverty, especially in rural areas, and inequality between rich and poor people. Both BFP and NREGA aimed at delivering cash income to poor households, which might enhance food security and the well-being of household members including youth and children. They have specific schemes targeting either a particular geographic area or income class. Programme benefits are conditional: BFP requires recipient household parents to guarantee their children access to public services in basic education and health. NREGA pays for participation in rural construction work.

We consider that supporting poor people with cash income is a simple and effective mode of poverty alleviation and that it can be expected to be applicable to other countries. First, by ensuring minimum and constant income, it helps poor households to overcome consumption vulnerability. It would encourage poor households to avoid myopic risk-averse strategy to put their children into the labour market at a younger age to maximize current income (= consumption), ignoring higher future returns from investing in their education today. Second, by providing better nutrition and health conditions in early childhood, better cognitive development can be expected, engendering higher labour productivity at their working age. Third, assuming that poor people have low (or even positive) income elasticity of labour supply, it is unlikely that cash transfer would provoke dependence or idleness among beneficiaries. We were able to expect that, having a minimum income guaranteed, people would switch from

precarious informal jobs to formal jobs. Farmers would become more ambitious about investing in their farms, earning higher yields. Last, but not least, income from BFP and NREGA have reportedly enhanced the autonomy of women, who tend to have more influence in household budget allocation in favour of child-related expenditures.

Although their experiences have applicability to other countries, programs like these also present challenges. Most importantly, implementation of anti-poverty programs requires high administrative skills. Results show that decentralization plays important roles in BFP and NREGA. Results demonstrate that both programs are effective at delivering cash income to poor households, but we were unable to confirm that the original objectives had necessarily been achieved. Regarding BFP, although it is successful in keeping more children in school, previous studies showed that it does not translate into their improved scholastic attainment. In the NREGA case, our analysis shows that despite a real wage increase, beneficiaries have not increased their respective levels of consumption, obscuring the program's impact on food security. These observations suggest that some fine tuning of the administrative system is necessary.

Our review confirmed some important lessons for African countries. First, anti-poverty policies require appropriate targeting. Targeting can be done by geographical targeting when poverty is geographically easily identified. Accuracy will increase by means-testing on each household; it might turn out to be costly and technically difficult. In this case, the mechanism of self-selection is useful. In the case of NREGA, because benefits are given only to workers participating in rural construction works, non-poor participants might opt out of the program. In BFP, conditionalities of children's attendance to public school and visits to community health centres can exclude non-poor people who tend to seek private services with better quality.

Second, decentralization is a key feature of both programs. Generally speaking, economic prosperity tends to agglomerate spatially (i.e. urbanization) although poverty is dispersed. Policies targeting poor people must be implemented at the local level. At the same time, strong discretionary power of local authority might provoke heterogeneity in policy implementation and sometimes political manipulation. We infer that governance structures of both program worked well. In BFP, decentralization was performance-based. Beneficiaries are determined by the central government based on the universal standard, whereas local governments are responsible for expanding coverage to eligible residents to the greatest extent possible. The administrative process is controlled through a unified database. In NREGA, administrative authority is transferred to the village assembly and the village headperson, who are elected in local elections. Their performance is checked by local residents.

Third, policy implementation should be accompanied by evaluation from purely technical viewpoints. It is rewarding to incorporate randomization methodology in the program design. It should be pointed out that existing evaluations of BFP and NREGA only devote attention to some intermediate variables such as school attendance, years of schooling, the labour participation ratio and employment created. However, they do not directly address some ultimate objectives of those projects: to enhance household welfare promoting cognitive skills of children. Regarding BFP, although it is successful in keeping children in school longer, results of recent studies show that it has not translated into their improved scholastic attainment. In the NREGA case, our analysis shows that despite real wage increase, beneficiaries have not increased consumption, obscuring the program's impact on food security. Precise evaluation should help

policymakers to identify problems in implementation and to fine tune the program so that beneficiaries will be able to follow a track to the exit from the program, or to exit from poverty.

2.5 Conclusions

This chapter revisited development experiences in Asia and Latin America to shed lights on African countries' challenges to promote economic growth accompanied by good jobs created, particularly for aspiring young workers. These are summarized as follows. Many countries in Asia and Latin America achieved structural transformation from rural to industrial or service economy. In particular, East Asia invested in basic human capital development and paved the way for export-oriented manufacturing development in scale, incorporating abundant labour force which are better educated and healthier. Recently, we witness natural resource-based and more or less jobless growth in Africa. Most African countries lack productivity growth in agriculture which sustained the structural transformation in Asia and Latin America. Africa also lags behind in market-based economic reform and infrastructure building to strengthen the insertion to the global market. Under such circumstances, without being able to obtain formal jobs, rapidly growing young workers in Africa have no choice but to settle in informal jobs to get their living. In Africa The under-utilization of human resource obscures Africa's future.

Therefore, it is fundamental for Africa to improve human capital of the youth with better education and health, while providing social safety net for the poor. In this regard, our review of BFP in Brazil and NREGA in India suggests that poverty reduction programs require effective targeting at beneficiaries, appropriate decentralization of implementation authority, and fine-tuning of institutional arrangements incorporating rigorous impact evaluations. Moreover, it is also important to maintain stable macroeconomic policy and assist some promising industries to achieve international competitiveness with industrial policies. Structural transformation to high value-added economy requires business-friendly environment and formalization of informal activities, as we could also learn from development experiences of Asia and Latin America.

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Chapter 3 Unemployment, Underemployment and Disguised Unemployment in Africa

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3.1 Introduction

Africa's population is young with about 205 million people aged between 15 and 24 in 2010 and projected to double by 2045. By that time, Sub-Saharan Africa (SSA) would be the "youngest" region in the world (Garcia and Fares, 2008). Estimates from various households' surveys confirm the assertion of Africa's young population. For instance, in 2006 the youth in Uganda accounted for about 19.5 per cent of the population with about 52 per cent aged below 15 years. Similarly, an estimated 65 per cent of Malian population in 2007 while about 61 per cent and 52 per cent of Ghanaians and South Africans in 2010 were yet to attain the age of 25.

The youth in Africa constitutes a very important resource and represents the development potential of the continent, depending on how this resource is tapped. They represent a particular opportunity and at the same time a challenge to development and security. On the positive side, the full potential of young people in contributing to sustainable development of the continent could be exploited through conscious governments' investments in their education and employment opportunities. In contrast, the youth could be a source of civil conflict and social tension if this unexploited asset is poorly managed, totally neglected and made to go to waste. Indeed, disaffected youth with no education and gainful employment and with no prospects for a meaningful future has the potential of promoting instability, radicalization and violent conflict.

Africa has been experiencing fast economic growth in recent years. For instance, the SSA grew by 5.2 per cent in 2011, down from 5.4 per cent in 2010 (ILO, 2012). Economic growth in Eritrea reached 8.2 per cent in 2011 while Ghana recorded a double digit growth rate of 14.2 per cent during the same period. Between 2001 and 2010, six of the world's ten fastest-growth economies were in SSA (AfDB et al., 2012). The high economic growth performance of many countries in Africa is however not reflected in labour market performance. This is an indication of the low employment content of economic growth in Africa reflected in low growth employment elasticity in many countries ranging from 0.27 in Tanzania to 0.84 in Senegal in 2004-2008 (ILO, 2008). The lack of employment opportunities tends to constrain the ability of the youth to contribute to the development effort of countries in Africa.

Labour market in Africa is characterised by unemployment in both disguised and undisguised form, low quality and vulnerable employment with low productivity and earnings particularly in the informal sector. The highly vulnerable group in the midst of these labour market challenges is the youth. About 60 per cent of Africa's unemployed are youth (AfDB et al., 2012) while youth unemployment rate is twice and four times higher than that of adults in SSA and North Africa respectively. Young people in Africa also suffer long duration of unemployment than their adult counterparts. A higher proportion of youth than adults are in vulnerable employment which is much more precarious and linked to higher poverty and poor working conditions.

Young people face specific challenges in accessing labour market opportunities which have the effect of lowering their chances of finding decent jobs. Indeed, lack of experience of the youth in the labour market poses specific barriers to securing decent jobs and this even exacerbates their chances of getting jobs subsequently when they face early unemployment.¹⁰ Additionally, they also stand the highest chance of losing their jobs in times of economic downturn. Underutilization of skills of the youth does not only expose them to social exclusion but also has triggering effect on intergenerational poverty. The challenge facing these young people in securing quality jobs after school increases their vulnerability in society and makes them susceptible to social vices and source of conflicts and civil disorders. They are more likely to accept recruitment into fighting forces when they face high incidence of joblessness. Lack of employment opportunities may result in social conflicts such as violence and juvenile delinquency. The increasing incidence of street hawking and migration of the youth in Africa across the Mediterranean with its attendant risk are not only symptoms of labour market challenges facing these people but also a reflection of a sense of hopelessness. A comprehensive analysis of labour market challenges confronting the youth in Africa is therefore required to find a long-term antidote to it.

The primary focus of this chapter is to carry out a comprehensive description of unemployment, disguised unemployment and quality of employment among the youth in Africa and the implication for income inequality and working poverty in Africa. The chapter takes a walk through the conceptual issues of youth and unemployment after the introductory section. It is followed by descriptive analysis of youth unemployment in Africa, including duration of youth unemployment and discouraged worker effect or hidden unemployment. The chapter goes beyond youth unemployment to discuss labour market challenges that bear on quality of employment. This is followed by a brief discussion of the implications of youth unemployment and lack of decent jobs on poverty and societal peace, after which brief concluding remarks are made.

3.2 Conceptual Issues: Youth and Unemployment

3.2.1 Youth Defined

The classification of a group of people as youth differs from country to country and the purpose of the classification. Youth as an economic and social concept refers to a separate stage in the lifecycle between childhood and adulthood (Curtain, 2001). From legal perspective, the minimum age of youth varies for different purposes – marriage, criminal responsibility, voting right, access to alcoholic beverages, consent to medical treatment, and military service. The minimum age of 15 for admission into employment¹¹ as stipulated by the ILO Convention No. 138 suggests a maximum age limit for childhood from an economic perspective, and the age of transition from childhood to another stage in the life of an individual.

There are variations in the youth definition from a statistical perspective. The United Nations (UN) refers to individuals within the age range of 15-24 as youth compared

¹⁰ See also Clark and Summers (1982), Freeman and Wise (1982)

¹¹ It does not involve work that is likely to jeopardize the physical, mental and moral health, or safety of the individual and coincides with the age for finishing compulsory schooling

with the African Union definition of 15-35 years. The Commonwealth defines the youth as individuals within the age range of 15-29 years. The age range for youth also varies for policy purposes. The African youth Charter defines youth as persons aged between 18 and 35 years which has been adopted by Ghana in her National Youth Policy but uses African Union definition in its National Youth Employment Programme. In Kenya and Tanzania, the AU definition of 15-35 years for youth is adopted for policy purposes compared with 12-30 years in Nigeria while South Africa's National Youth Policy defines youth as any person between the ages of 14 and 35 (see Mkandawire, 2000).

In this paper, we adopt the United Nations definition of 15-24 years for youth which is also adopted by the ILO in its statistical analysis of youth employment for the purpose of ensuring consistencies with many similar studies. Estimates from ILO (2011) put the youth population in Africa in 2010 at about 205 million (163.7 million in SSA and 41.3 million in North Africa) representing about 8 per cent growth over 2006 estimated youth population of about 189.8 million (148.9 million in SSA and 40.9 million in North Africa).

3.2.2 Unemployment

Unemployment is often defined within the conceptual framework put up by the International Labour Organisation (ILO). According to the ILO, a person is unemployed, if he is older than the minimum age, actively looking for and is available for work, and has not worked at least one hour during a given reference period. To be considered as 'actively looking' for a job, the unemployed needs to take specific steps to look for work. This includes registration at a public or private employment exchange or centre, application to employers, checking at worksites, farms, factory gates, market or other assembly places, placing or answering newspaper advertisements, seeking assistance of friends or relatives, looking for land, building, machinery or equipment to establish own enterprise; arranging for financial resources, and applying for permits and licenses.

The application of the ILO definition of unemployment to most countries in Africa has been found to be problematic considering the peculiar nature of the labour market in Africa. In most countries on the continent, this definition tends to produce low unemployment rate creating doubt about what the indicator is capturing. As noted by some researchers, unemployment as defined by ILO is increasingly seen as inadequate to characterize low income countries' labour markets (see Cling et al. 2006; Fares et al. 2006; World Bank 2006, inter alia). In Africa, a considerable number of jobless people may be available for work but fail to look for work for various reasons. First, many jobless people tend to stay out of seeking work based on the perception of no job or in some cases, jobs are mostly seasonal. Indeed, estimates from Ghana Living Standards Survey (reference?) suggest that at least 45% of jobless people available for work failed to look for employment, claiming that there were no jobs or that jobs were offseason.

In addition, employment placement centres in most countries on the continent are under-resourced and not functioning properly. Moreover, due to absence of incentives such as unemployment benefit, many jobless people do not make the effort to seek formal sector jobs. In the face of absence of any social benefit for jobseekers, many of them cannot afford to be unemployed and therefore tend to seek refuge in the informal economy particularly if the structure of the labour market provides the environment for informality to flourish. In countries with well-structured and efficiently regulated labour market with majority of jobs created in the formal sector, unemployment rate tends to be high. This is because the weak or limited informal sector is unable to absorb the

ever increasing labor force. These countries include South Africa, Namibia, Botswana, Egypt, Algeria, Tunisia and Morocco with low degree of informality or vulnerable employment against relatively high rates of unemployment (AfDB et al, 2012). On the other hand, countries with poorly developed labour market where formal jobs are difficult to find create environment for informality to thrive. Consequently, absence of any safety-net compels most unemployed to seek refuge in the informal economy as a survival strategy. Some of them who are unable to cope with the heat of unemployment are forced out of the labour force as discouraged workers which also tends to create large hidden unemployment. Many young people do not desire unemployment and so they engage in any form of economic activity, no matter how insignificant or inadequate and irrespective of the working conditions and income (UNECA, 2011). Increasingly, many youth, especially the uneducated, are settling for survival jobs in order to sustain themselves.

The change from unemployment to informality produces low unemployment rate but high degree of informality. This phenomenon creates a negative correlation between unemployment rate and informality. Therefore, labour market policies in Africa must not only consider unemployment as their only target but should also aim at improving the quality of employment.

3.2.3 Youth Unemployment

Youth unemployment rates in Africa vary by regions and countries. Generally, while SSA has the third lowest youth unemployment rate behind East Asia and South Asia, North Africa has consistently recorded the highest youth unemployment rate globally (ILO, 2012). As shown in table 1, while youth unemployment rate in SSA is not different from the global average the rate in North Africa is twice the world average. The rate is also estimated to be higher among the youth than adults to the extent that youth unemployment rate in 2011 is twice and four times higher than that of adults in SSA and North Africa, respectively, as against 3.2 times in the world. Similar trends are found across selected African countries (see Figure 3.1) with Nigeria, Niger, Ghana, Tanzania, Mauritius, Algeria and Tunisia recording youth unemployment rate of more than thrice the rate for adults. As noted by Baah-Boateng and Turkson (2005), unemployment in Africa is more of a youth than an adult phenomenon and declines with age. The uprising in the Arab world which began in Tunisia in the latter part of 2011 has been linked to the high youth unemployment phenomenon which is estimated to be the highest in the world. Trend analysis of youth unemployment rates on the continent shows a consistent decline in North Africa from 27.2 per cent to 23.0 per cent between 2005 and 2010 before surging to 27.1 per cent in 2011, with very little variation in the rates in SSA and the world (Table 3.1).

Higher youth unemployment rate than adults' rate is accounted for by a number of factors. First, the youth are more vulnerable in times of economic challenges than their older counterparts considering their limited labour market experience. In addition, they also lack job search experience and labour market information to facilitate their job acquisition. Even in an economic upturn, lack of work experience combined with lack of social capital puts the youth at a disadvantage for new job opportunities. In economic downturns the last-in, first-out of hiring and firing disproportionately affects young people (UNECA, 2005). The situation becomes worse in Africa where many countries do not have proper functioning employment and placement centres making the youth resort to job search through friends and family members since they often lack previous employment contacts and networking. From the perspective of the youth, the most

pressing issue facing them is lack of jobs. Although they also recognise that lack of training constitutes another obstacle to getting employed they feel that jobs are given to people who have “connections” (AfDB et al., 2012).

Table 3.1 Unemployment Rates in Africa by Age Relative to World Average, 2005-2011

Region	Group	2005	2006	2007	2008	2009	2010	2011*
Sub-Saharan Africa	Youth	12.9	12.8	12.8	12.8	12.9	12.8	12.8
	Adults	6.6	6.5	6.4	6.4	6.4	6.5	6.5
	All	8.3	8.2	8.1	8.1	8.2	8.2	8.2
North Africa	Youth	27.2	25.2	23.8	23.0	23.6	23.0	27.1
	Adults	6.5	6.2	6.2	6.0	6.0	6.3	7.0
	All	11.5	10.5	10.1	9.6	9.6	9.6	10.9
World	Youth	12.9	12.4	11.7	11.9	12.8	12.8	12.7
	Adults	4.5	4.2	4.0	4.1	4.7	4.6	4.6
	All	6.2	5.8	5.5	5.6	6.2	6.1	6.0

* 2011 are preliminary estimates

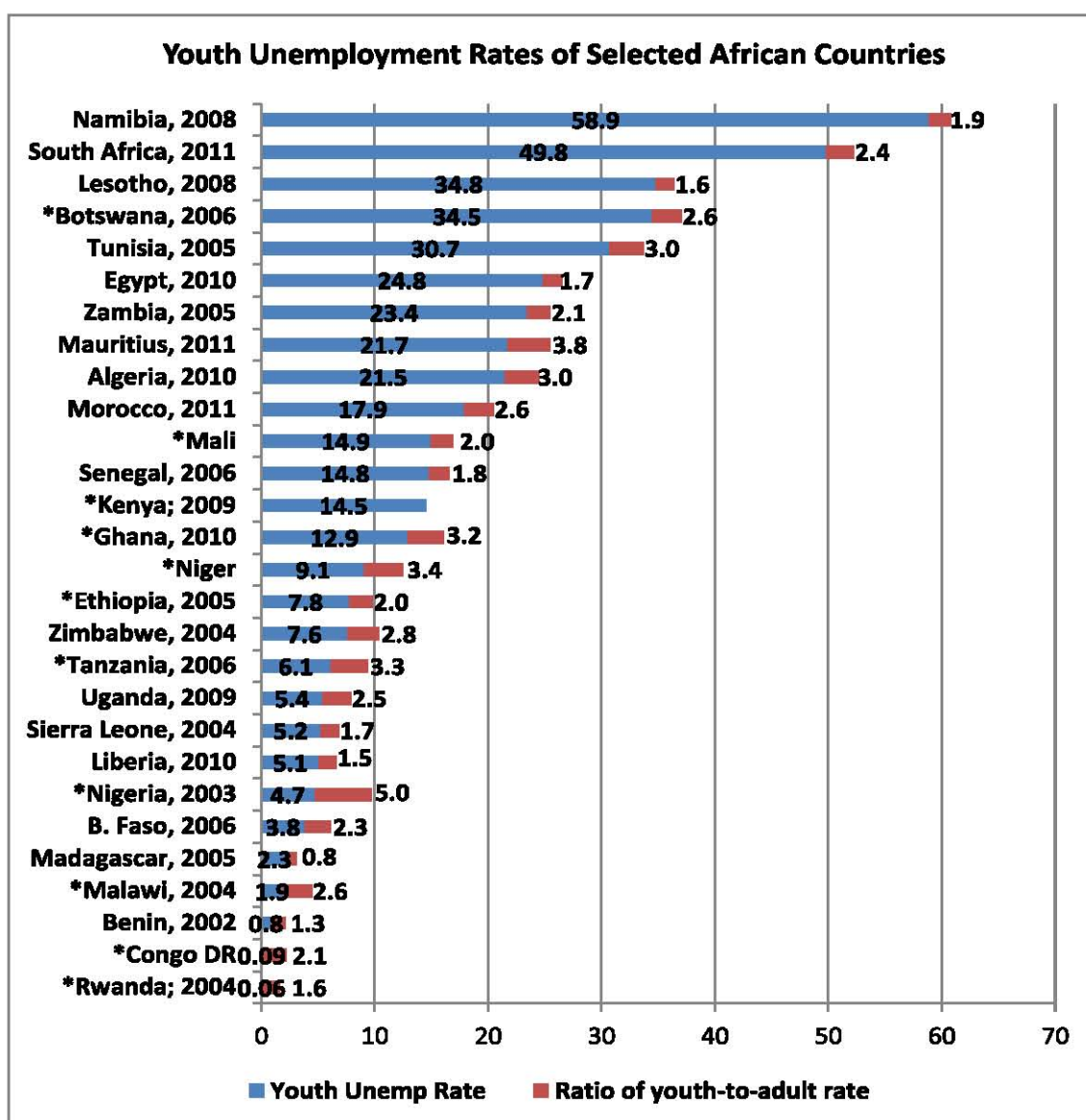
Source: ILO (2012) “Global Employment Trends 2012”

Generally, youth unemployment rates vary among countries in Africa. Figure 3.1 reports youth unemployment rate as high as 58.9 per cent in Namibia in 2008 as against less than 1 per cent in Rwanda, Democratic Republic of Congo and Benin. In all, nine countries, six of which are located in Southern Africa and the remaining three in North Africa recorded youth unemployment rates of between 21.5 per cent and 58.9 per cent. On the other hand, as many as fourteen countries, all located in the south of the Sahara recorded youth unemployment rates of less than 10 per cent with Rwanda, Democratic Republic of Congo, and Benin reporting rates of less than 1 per cent (see Figure 3.1). Among the remaining five countries that reported youth unemployment rates between 10 per cent and 20 per cent, only Morocco is located in North Africa with the remaining four in SSA. The relatively high youth unemployment rates in the four North African countries compared with very low rate in many countries in SSA largely explains the disparities in youth unemployment rates between North Africa and SSA. In addition, countries with low youth unemployment rates have high proportion of employment in the informal sector or high vulnerable unemployment rates and vice versa (see AfDB, et al 2012).

Gender differences in youth unemployment generally show higher rate for females than males in the two sub-regions of Africa and the world. An estimated ratio of female-male unemployment rates of 1.1 was recorded in SSA and the world and 2.2 in North Africa in 2010 suggesting higher unemployment rates for females than males (Figure 3.2). The differences in youth unemployment between the two sexes however are not clear cut across countries on the continent. Available data indicate that out of 26 selected African countries, 16 experienced a higher youth unemployment rate for females than

males at different periods, with Nigeria, Mauritius, Madagascar, Senegal, Liberia, Algeria and Egypt recording female-male ratio of youth unemployment rate of between 1.5 and 3.7. Nine countries recorded higher youth unemployment rate for males than females as indicated by female-male youth unemployment ratio of less than one while one country, Zimbabwe reported equal youth unemployment rates for both sexes. Three countries, namely, Democratic Republic of Congo, Niger and Sierra Leone recorded gender ratios of less than 0.5 suggesting a higher youth unemployment rates for males than females in these three countries.

Figure 3.1 Youth Unemployment Rates of Selected African Countries



* Computed and constructed by Author from countries' household surveys and censuses

Source: Key Indicators of the Labour Market (KILM)

The two highest gender ratios of youth unemployment rates of 3.68 and 2.01 were recorded in two of the four North African countries of Egypt and Algeria, respectively. This may explain the high gender ratios of youth unemployment rate in North Africa compared to SSA and the world. The gender differences in the rate in two other countries of Morocco and Tunisia are narrow, and stand at 0.96 and 0.93, respectively.

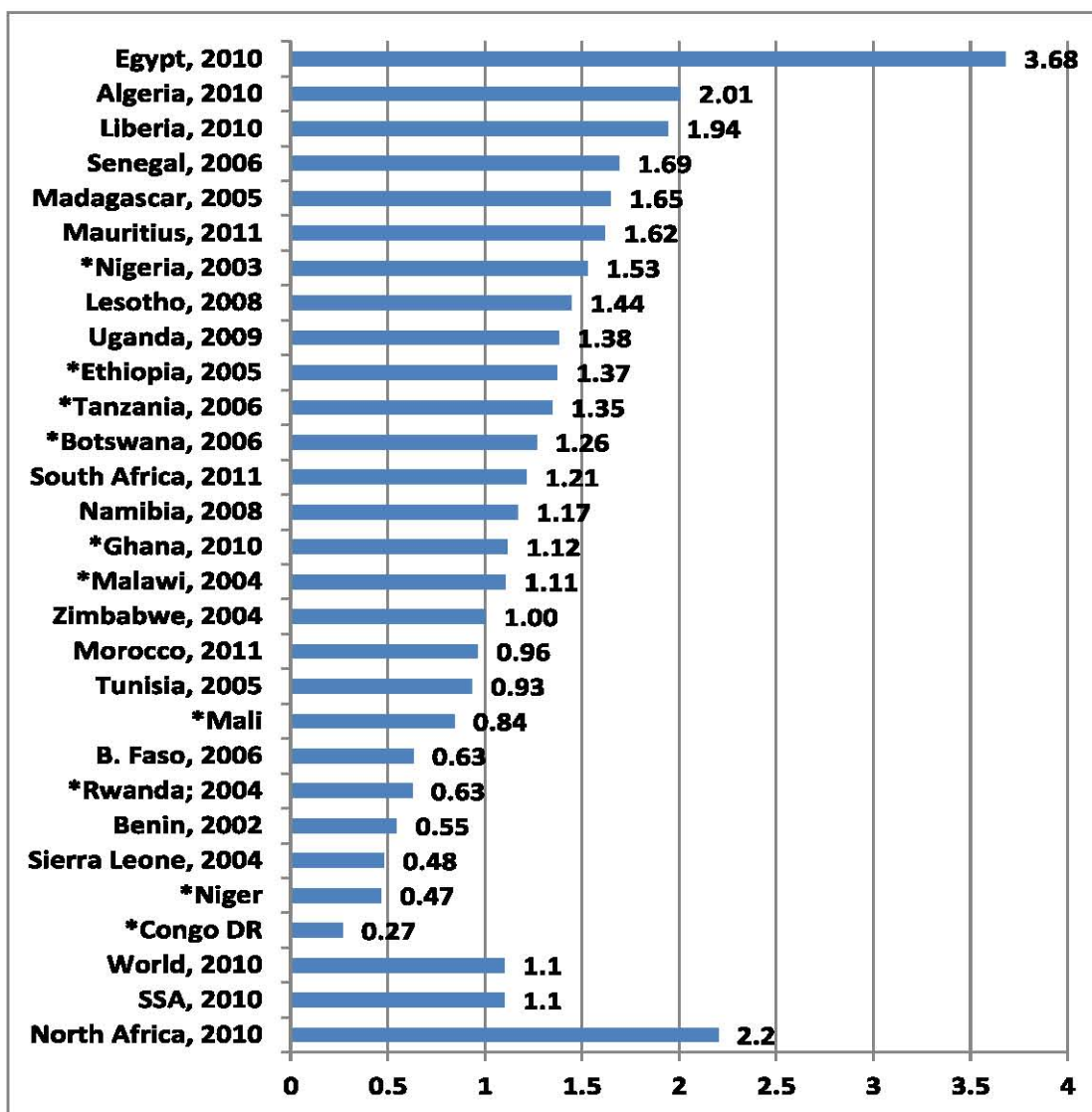
Generally, young females' presence in the labour market as unemployed, relative to their male counterpart, may suggest difficulties faced by the young females in securing employment. This situation tends to undermine the effort towards gender equality through women empowerment. Generally, female-male differences in youth unemployment rates in various countries clearly require careful study to ascertain the reasons accounting for this situation.

High youth unemployment in Africa is an urban phenomenon. Out of 14 countries represented in Table 3.2, youth unemployment rates in urban areas are far higher than in rural areas and this is explained by the dominance of agriculture in rural areas that keeps underutilisation of labour force high which takes the face of under-employment. In addition, the youth are often attracted to the cities in such for non-existing jobs as they find life in the rural areas unattractive. In some countries like Ethiopia, Rwanda, Tanzania and Uganda, youth unemployment rate in urban areas is reported to be more than 7 times higher than the rate in rural areas (Table 3.2). With the increasing urbanisation and limited job opportunities, the problem of urban unemployment among the youth may worsen.

The relationship between education and youth unemployment appears to suggest higher youth unemployment rate among the educated than the uneducated. Table 3.2 reports relatively high youth unemployment rate among youth with secondary school education or higher in all the selected African countries except Niger and South Africa which show marginally higher rates among those with basic education than those with vocational and secondary education, respectively. Higher youth unemployment rate among secondary school leavers than other categories is reported in six countries (i.e., Botswana, Egypt, Ethiopia, Rwanda, Senegal and Tanzania). Six other countries (Democratic Republic of Congo, Ghana, Mali, Malawi, Nigeria and Uganda) in contrast show higher youth unemployment rate among university graduates than among all other categories.

With secondary school education, these young people do not have the skills to enable them secure regular or formal sector jobs which often require a minimum of diploma or university degree against the backdrop of considerable number of degree holders seeking jobs. On the other hand, they do not find informal economy attractive enough and coupled with the difficulty in progressing to the next level on the educational ladder, they become unemployed. Limited formal sector jobs for graduates with no consideration for employment in the informal economy continues to be the major driving force for the high and increasing youth unemployment among university and other tertiary graduates in Africa. Young people with no education have the lowest unemployment rate due to the fact that they have limited or no access to formal employment and clearly have no choice but to settle for agricultural and non-technical, informal sector jobs which do not require any education. A similar explanation can be adduced for the low unemployment rate among the youth with basic or primary education.

Figure 3.2 Ratio of female-to-male unemployment rates in selected African countries



* Computed and constructed by Author from countries' household surveys and censuses

Source: *Key Indicators of the Labour Market (KILM)*

The observed high unemployment rate among young people with vocational and technical training raises concerns about the advice to shift towards vocational and technical education to improve job prospects. Ghana reformed its educational system in 1987 with the introduction of technical and vocational skill training into its education curricula at the basic level as the major element of the reform. The weakness however was the inability of authorities to provide skill training workshops for schools and

absence of instructors to teach vocational and technical skills rendering the whole exercise a failure. Obviously, one major challenge facing trainees of vocational and technical education has often been lack of start-up capital which tends to render most of these skilled young people jobless after school. Indeed, Frazer (2006) reports that for former apprentices, one of the principal constraints is obtaining finance in order to start up own business, which corroborates the evidence by Aryeetey et al (1994) that credit to start business in Ghana is rare.

Table 3.2 Youth Unemployment Rates by Sex, Location and Education

Country	Location		Education				
	Urban	Rural	No Educ.	Basic	Sec	Voc/ Tech	Tertiary
Botswana, 2006	40.5	26.2	24.4	33.7	37.8	29.7	33.0
Congo DR, 2005	0.19	0.03	---	---	---	---	---
Egypt,	9.4	6.8	4.9	9.7	51.2	---	34.2
Ethiopia, 2004	25.0	0.9	1.9	6.9	37.0	21.6	13.5
Ghana, 2006	18.2	8.0	3.2	6.2	14.6	17.2	46.1
Mali, 2006	33.6	8.1	10.2	18.5	54.1	65.1	85.3
Malawi, 2004	11.5	1.0	1.3	0.6	4.5	11.7	23.2
Niger,	9.8	8.8	7.9	16.9	---	16.1	---
Nigeria, 2003	7.5	3.2	1.2	2.1	11.1	11.8	---
Rwanda, 2004	0.24	0.03	4.6	5.1	20.2	10.7	---
Senegal, 2006	19.5	10.7	14.1	25.2	30.2	14.3	6.8
South Africa, 2010	---	---	31.4	54.9	54.3	49.7	34.9
Tanzania, 2006	19.2	1.6	2.3	8.1	32.8	23.4	23.2
Uganda, 2004	14.0	1.8	0.9	2.1	6.3	6.6	19.0

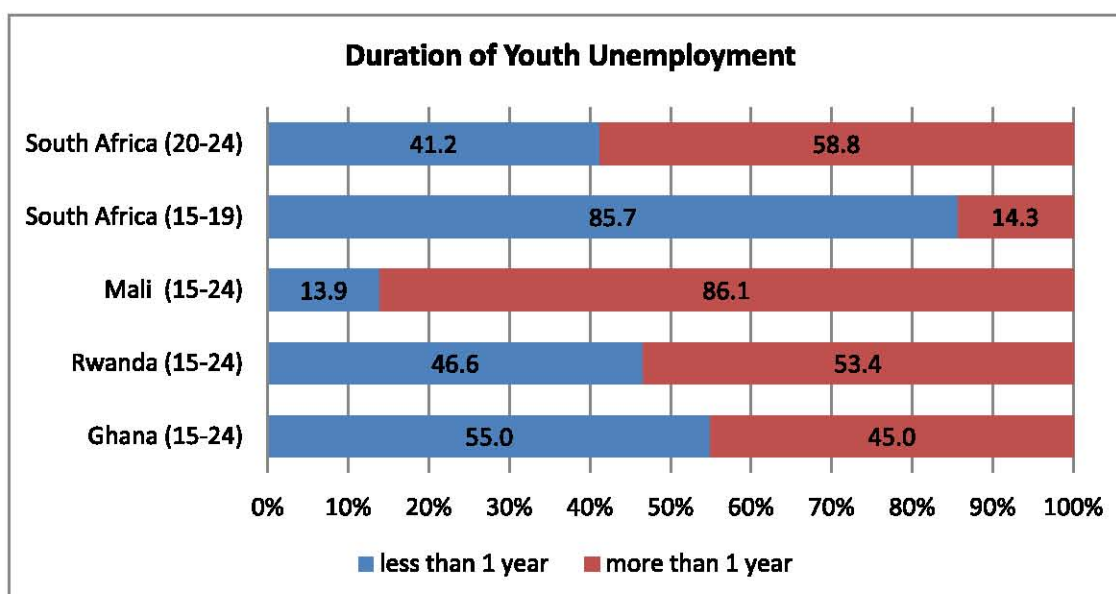
Source: Computed or constructed from countries' household surveys and censuses

3.2.4 Duration of Unemployment

Besides the high incidence of unemployment in Africa is the duration of unemployment. Duration of unemployment refers to the period within which an individual remains unemployed continuously after leaving school or losing a previous job. Unemployment duration constitutes a signal about how long one must seek for job before finding one or abandoning the search altogether. The length of time one spends searching for jobs has a reinforcing effect on discouragement from labour force participation. Equally important, is the relationship between duration and demographic characteristics of jobseekers, which determine chances of employment. One major challenge in analysing duration of unemployment is that most countries in Africa have not carried out labour force surveys and employment modules in many other forms of household surveys do not cover unemployment duration.

Available data indicates varying period of duration of unemployment across countries and among different demographic group but this analysis focuses on duration of unemployment among the youth in 4 countries where data is available. Generally, there is longer duration of youth unemployment in Mali than Ghana, Rwanda and South Africa. Estimates from Figure 3.3 indicate that over 86 per cent of jobseekers in Mali are unable to secure jobs within one year, compared with 14 per cent for youth (15-19 years) and 59% for youth (20-24 years) in South Africa, 45 per cent in Ghana and 53 per cent in Rwanda. Indeed, a further breakdown of the figures shows that over 29 per cent of young jobseekers in Mali spend more than half of their youthful 10 years searching for jobs. In South Africa, about 59 per cent of young jobseekers aged 15-19 years spend less than one year searching compared with about 40 per cent of those aged 20-24 years. The duration of youth unemployment in Ghana and Rwanda is concentrated within a period of 1-2 years with 21.9 per cent and 21.5 per cent of jobseekers, respectively, spending 1-2 years in search for jobs. It is worth noting that spending over half of one's youthful years in search for jobs without success has negative implications for one's level of confidence in life and dilutes the ability to avoid being swallowed by poverty or escaping from it.

Figure 3.3 Duration of Youth Unemployment in Some African Countries



Source: Computed or constructed from countries' household surveys and censuses

3.2.5 Discouraged worker syndrome or hidden unemployment

Labour market challenges facing the youth in Africa go beyond the phenomenon of unemployment which is a measure of underutilisation of human resource and of the difficulty in finding jobs. Conventionally, the rate of unemployment is a measure of the proportion of the labour force within specific age group who are available and seeking work on account of joblessness. Youth unemployment rates in Africa are estimated to

be low with many countries reporting unemployment rate of less than 10 per cent (see Figure 3.1). The unemployment rates particularly among the youth do not provide a full account of people out of work because the conventional measure based on the ILO definition does not take into consideration the discouraged workers.

The lack of well-functioning employment placement centres and absence of unemployment benefits seem to both render young people jobless and discourage them from seeking employment. In South Africa for instance, Kingdon and Knight (2004) showed positive correlation between the rate of discouragement and the rate of unemployment. This tends to hide a number of people who may be truly unemployed but are not captured by the conventional measure because of their non-seeking behaviour thereby causing hidden unemployment. The people who have given up job search despite being jobless are called discouraged workers. According to AfDB et al (2012), the discouraged, uneducated youth are often poor and disconnected from the labour markets, whereas the youth who are well educated give up search because they do not find a job that rewards their qualification. Indeed, excluding these people from the computation of unemployment rate tends to underestimate the true situation of unemployment.

Accounting for the degree of discouragement in the computation of youth unemployment rates yields what is called broad unemployment rate (see Chapter 1). Table 3.3 reports broad unemployment rates among the youth and the ratio of broad-to-narrow youth unemployment rates as well as a measure of discouraged worker effect measured by the difference between broad and narrow unemployment rates for selected African countries. The broad youth unemployment rate is a measure of youth out of work and underutilisation of labour than the conventional youth unemployment rates. The narrow youth unemployment rate is the conventional measure of youth unemployment, based on job-seeking evidence. In Democratic Republic of Congo and Rwanda, broad youth unemployment rate is estimated to be more than eighty times higher than youth unemployment rate based on the ratio of broad-to-narrow youth unemployment rates. Malawi reported broad youth unemployment rate of more than six times higher than the narrow rate with the remaining 8 countries reporting broad youth unemployment rate of between 1.2 times and 2.6 times higher than the narrow rate.

Using the difference between broad and narrow youth unemployment rates as a measure of discouraged worker effect (or hidden unemployment), some countries reported very high rates while others reported considerably low degrees of hidden youth unemployment. Mali reported the highest discouraged-worker effect of 23.7 percentage points followed by Botswana and Mali with 17.9 and 10.4 percentage points of hidden unemployment or discouraged-worker effect. By implication, youth unemployment rates based on the conventional definition in these countries were underestimated by between 10.4 and 23.7 percentage points. Other countries such as South Africa, Democratic Republic of Congo, Ghana, Rwanda and Nigeria also reported hidden youth unemployment rates of between 5 and 9 percentage points. The remaining three countries reported hidden youth unemployment rates or discouraged worker effect of less than 4 percentage points.

The refusal of many young jobless people to make the effort to seek work even though they are available for work is explained by many factors, including the perception that there are no jobs and the seasonality of work. Estimates from the fifth round of the Ghana Living Standards Survey (GLSSV) indicate that about 45 per cent of jobless young people who were available for work in 2006 did not make effort to seek work on

account of the perception of non-availability of work and seasonality of jobs. Similarly, AfDB et al (2012) find that the youth's perception that good jobs are not available is the major obstacle to finding jobs, and could be the reason why many young people to leave the labour market as discouraged-workers.

Table 3.3 Broad Unemployment Rate and Quality of Employment (%)

Country	Broad Unemployment Rate	Broad minus narrow youth unemployment rates	Broad-to-narrow unemployment ratio
Botswana	52.4	17.9	1.5
Congo DR	7.6	7.5	87.4
Egypt	10.0	1.8	1.2
Ethiopia	7.8	---	---
Ghana	13.4	6.8	2.0
Mali	38.6	23.7	2.6
Malawi	12.3	10.4	6.4
Niger	12.8	3.7	1.4
Nigeria	9.4	4.7	2.0
Rwanda	5.2	5.1	82.3
Senegal	---	---	---
South Africa	60.0	9.3	1.2
Tanzania	8.9	2.8	1.4
Uganda	---	---	---

Source: Computed from Nationally Representative Household Surveys

3.3 Quantity and Quality of Youth Employment in Africa

Apart from the issue of unemployment and hidden unemployment on the continent, there is the problem of poor or low quality jobs available for the youth. Employment is defined within the ILO context as any economic activity that generates income through wages, profit or family gain in kind or in cash during a specified period of time. Thus, the "employed" comprise all persons above a specific age who during a specified brief period, e.g., one week or one day were in paid employment or self-employment or doing family work.

Generally, employment could be categorized into different forms: fulltime or part-time, temporary or permanent, decent or vulnerable. It can also be classified from a statistical angle, based on the international standard classification into occupations

(professional, technical, clerical); industry/economic sector (agriculture, industry and service); or type/status (i.e. wage or regular employment, self-employment); or formal (public and private) or informal (rural, urban). Labour statistics differentiate between current employment and usual employment. The former refers to any lawful economic activity engaged by individual above specific age for pay in kind or in cash or for family gain for at least an hour during seven days prior to a survey, as against the latter that looks at a 12 month period prior to a survey.

Over the past decade, Africa has witnessed higher annual employment growth compared with most regions of the world. The employment performance of the two regions in Africa has been fairly high alongside Middle East relative other regions of the world with annual employment growth of 2.9 per cent and 2.2 per cent in SSA and North Africa, respectively, between 2007 and 2011 compared with the world average of 1.4 per cent (see Table 3.4). The high employment growth in the two regions in Africa relative to the world average is largely a reflection of an improved growth performance in Africa, as the average growth rate was 5.2 per cent and 4.1 per cent in SSA and North Africa, respectively. In contrast, the world average was 3.3 per cent over the same period. These estimates translate to average elasticities of employment with respect to growth of 0.6 in SSA and 0.5 in North Africa, compared with a growth employment elasticity of 0.4 for the world.

Table 3.4 Employment Indicators in Africa and the World, 2007 – 2011

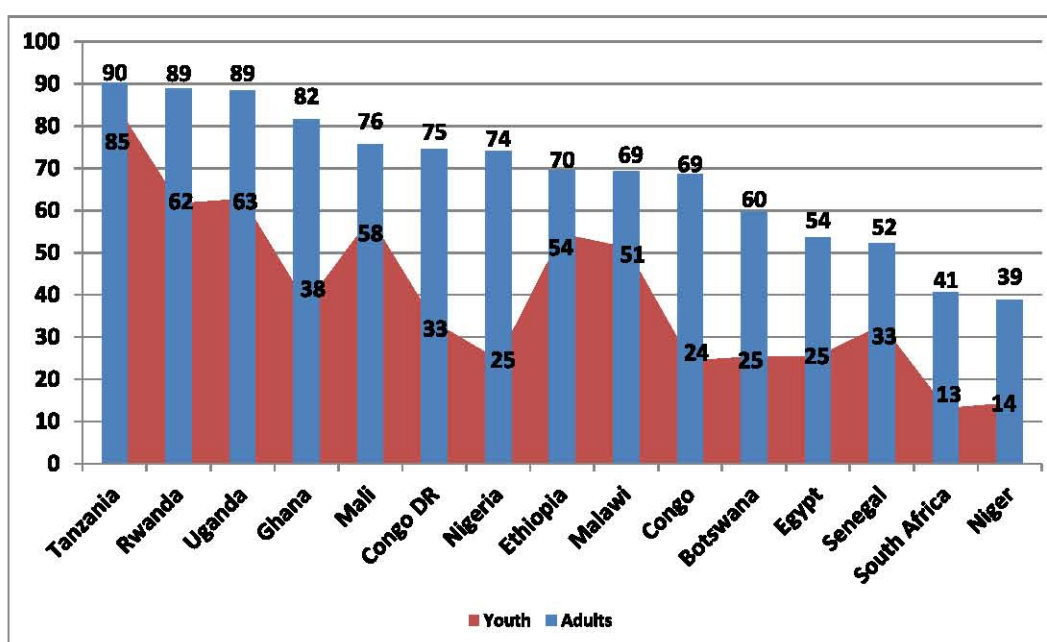
Indicator	Region	2007	2008	2009	2010	2011*
Annual Employment Growth	SSA	3.1	3.0	2.6	2.7	2.9
	North Africa	2.6	3.1	2.1	2.2	0.8
	World	1.8	1.5	0.7	1.3	1.6
Annual GDP Growth Rate (%)	SSA	7.1	5.6	2.8	5.4	5.2
	North Africa	5.8	5.0	3.5	4.4	1.9
	World	5.4	2.8	-0.7	5.1	4.0
Employment-to-population ratio	SSA	64.4	64.5	64.5	64.4	64.5
	North Africa	43.8	44.1	44.1	44.2	43.6
	World	61.2	61.0	60.3	60.2	60.3

Source: *Global Employment Trends 2011 & Key Indicators of the Labour Market 7th Edition of ILO*

A country's ability to generate employment can be measured by employment-to-population ratio (or employment rate). This is one of the measures of country's ability to provide jobs for the population (see Sparreboom and Baah-Boateng, 2011). An increase in the ratio of employment-to-population suggests improved performance of the labour market. The ratio is often higher for adults than the youth because the youth are more likely to be inactive due to schooling or the discouragement effect. As shown in Figure 3.4, employment rate for adults is significantly higher than for the youth in all the 14 countries. Thus, besides high inactivity rate, employment prospects for the youth

in Africa are weak compared to prospects for persons at older ages. For instance, with the exception of Tanzania, Uganda, Rwanda, Ethiopia and Mali, 9 other countries reported that 5 or less out of 10 young people were in employment. The rate among the youth also varies across countries, with Tanzania recording the highest rate (85 per cent) compared with the lowest of 13 per cent in South Africa. In addition, the rate is higher in the rural areas than urban areas with rural-to-urban ratio of more than 1, except Niger which reported a ratio of less than 1.

Figure 3.4 Employment-to-Population Ratio of Youth and Adults in Selected African Countries



Source: Computed from Nationally Representative Household Surveys

3.3.1 Vulnerable Employment

The employment-to-population ratio only measures quantity of employment generated in a country but cannot show the type and nature of employment created. For instance, a higher employment rate in rural areas may be misleading as it ignores the quality of jobs created. The youth in Africa face the challenge of accessing regular and good income jobs as evident in the region's high share of vulnerable employment¹². In 2011, the share of vulnerable employment in SSA was 77.5 per cent, compared with 41 per cent in North Africa and the world average of 50 per cent (see Table 3.5). Vulnerable employment rate is the sum of own account and family work as a percentage of total employment. Workers in vulnerable employment are less likely to have formal work

¹² Vulnerable employment is the sum of own account and family work.

arrangements and more likely to lack benefits, such as social security and a recourse to social dialogue mechanisms (Sparreboom and Baah-Boateng, 2011).

Table 3.5 Employment Status of Youth and Adults in Selected African Countries (%)

Country/ Region	Wage employment		Self- employment		Contributing family work		Vulnerable employment rate	
	Youth	Adults	Youth	Adults	Youth	Adults	Youth	Adults
Botswana	62.4	62.4	7.2 (1.4)	13.7 (4.4)	29.9	23.5	35.7	32.8
Congo	20.1	28.7	55.3	59.7	17.2	2.5	72.5	62.2
Congo DR	10.2	19.5	49.1	63.2	36.3	15.5	85.4	78.8
Egypt	64.9	69.5	4.1	7.0	31.0	23.5	35.1	30.5
Ethiopia	17.9	15.3	24.1	65.7	58.0	18.9	82.1	85.6
Ghana	13.3	18.4	26.2 (1.0)	62.2	50.4 (4.6)	13.7	75.6	75.9
Malawi	14.9	22.8	18.9	22.8	56.0	48.1	74.9	70.9
Mali	5.4	9.0	41.6	72.6	53.0	18.4	94.6	91.0
Rwanda	27.7	21.4	16.8	48.9	55.5	29.7	72.3	78.6
Senegal	12.3	20.3	41.7	67.4	46.3	12.3	88.0	79.7
South Africa	84.8	74.3	7.1 (1.2)	15.5 (5.9)	5.9	9.5	11.8	19.1
Tanzania	8.0	10.4	71.6 (1.0)	79.5 (2.0)	20.2	8.1	90.8	85.6
Uganda	14.0	17.3	20.9	61.0	63.6	20.9	84.4	81.9
SSA, 2011	21.1		50.5 (1.4)		27.0		77.5	
N. Africa, 2011	49.3		25.8 (9.4)		15.5		41.3	
World, 2011	48.0		34.8 (2.4)		14.8		49.6	

Note: Youth covers ages 15-24 and adults cover age 25 and above.

2. Self-employment figures in brackets represent the self-employed with employees.

Source: Computed from Nationally Representative Household Surveys; Regional figures from KILM

The African youth are the worst affected by poor quality of employment because they enter the labour market with limited education, technical skills, and work experience.. In most African countries, the share of youth in jobs considered vulnerable and informal with little or no social protection is relatively high. Self- and/or informal employment as well as the contributing family work are more prevalent among young workers in both rural and urban areas. In addition, it symbolizes low employment quality since informal jobs are generally insecure because they are outside government's labour and safety regulations. Table 3.5 reports employment status of the youth and adults for selected

African countries and confirms the poor quality of youth employment relative to older individuals in terms of the rate of vulnerable employment. Indeed, over 70 per cent of young workers in the Democratic Republic of Congo, Ethiopia, Ghana, Malawi, Mali, Rwanda, Senegal, Uganda and Tanzania are either self-employed or contributing family workers.

All countries represented in Table 3.5 have lower proportions of wage employment for youth than adults except South Africa and Rwanda which show the reverse situation and Botswana which has the same proportion of wage employment for youth and adults. A higher proportion of contributing family work is also evident for the youth than adults in all countries except in South Africa, where the reverse is the case. The vulnerable employment rate is generally higher among the youth than the adult workers (except in South Africa and Rwanda), which indicates poor quality of youth employment in Africa. Even in the two countries, a greater proportion of youth than adults was in contributing family work with no remuneration.

3.3.2 Underemployment or Disguised Unemployment

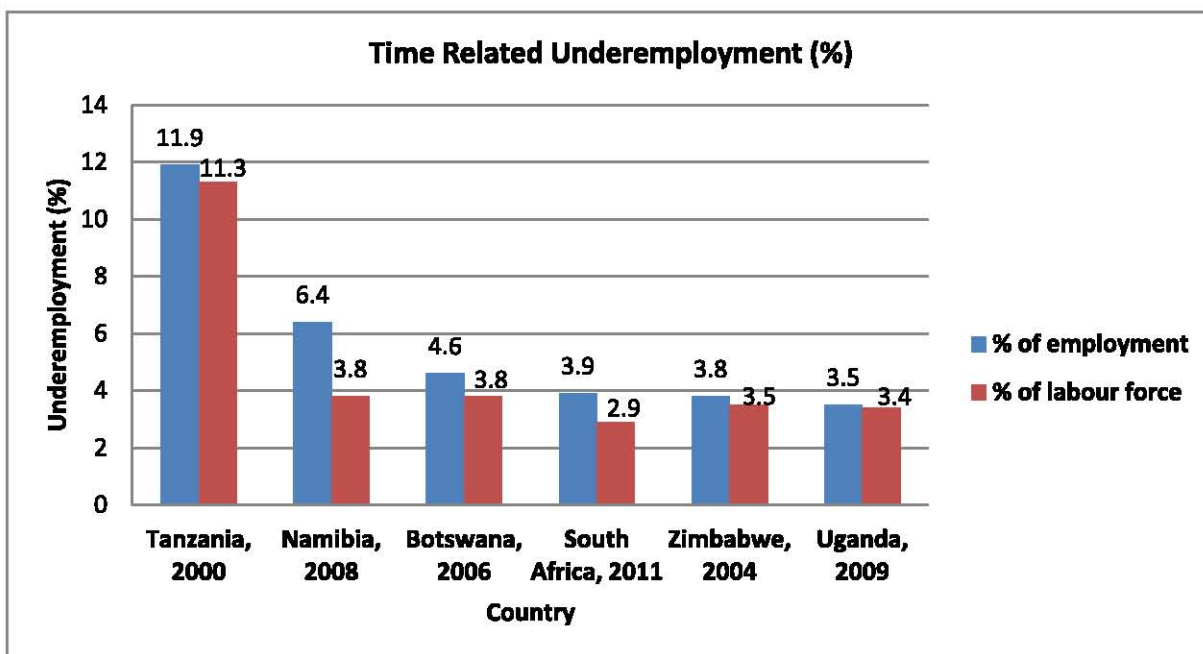
Underemployment is a reflection of underutilization of labour or human resources and remains a common feature of the labour market in many African countries. As indicated by Boateng (2000), unemployment is usually described in terms of "disguised" unemployment or underemployment in developing countries, while in the developed countries the phenomenon is explained in terms of labour demand-supply gaps. Underemployment is a measure of the extent of underutilisation of labour in terms of skills or hours of work rather than non-utilisation, and is closer to the concept of employment than to unemployment. As noted earlier, the absence of safety nets such as unemployment benefit systems in Africa many jobseekers are compelled to take up any job rather than remain unemployed for a long time. Conceptually, underemployment can be visible or invisible. A individual worker may be said to be underemployed, either, when the individual is working fewer hours than desired (visible underemployment) or the individual is working at a job in which one is less productive than he or she would have been, had one's skills been fully used (invisible underemployment).

From the ILO perspective, underemployment "exists when a person's employment is inadequate, in relation to specified norms or alternative employment, account being taken of his/her occupational skill..."¹³. However, the definition of "inadequate" unemployment is unclear and this creates a measurement problem. Underemployment is often measured from the perspective of the number of hours worked. According to the ILO, persons visibly underemployed comprise those working less than the normal duration of work determined for that activity, doing so involuntarily, and seeking or being available for additional work. The measurement of visible or time-related underemployment has often been difficult since many household datasets do not have adequate information in terms of number of hours and willingness to work more hours. Available data from six countries indicate that between 3.5 per cent and 11.9 per cent of workers were underemployed at different periods. The highest rate (11.9 per cent) of underemployment was recorded in Tanzania (2000), followed 6.4 per cent in Namibia (2008) and by 4.6 per cent in Botswana (2006). Uganda reported the lowest rate of 3.5 per cent in 2009 while

¹³ ILO (1993) General Report on the 15th International Conference of Labour Statisticians, p. 7.

Zimbabwe and South Africa recorded 3.8 per cent and 3.9 per cent, respectively in 2004 and 2009.

Figure 3.5 Time Related Underemployment for Workers Aged 15 +



Source: Constructed from KILM, 7th Edition

Underemployment rates are expected to be higher for the youth than adults considering the labour market challenges facing the youth in terms of low education, limited labour market experience and social networks. Using the number of hours per week and two different benchmarks of 25 hours and 40 hours per week, we estimate the proportion of workers working less than the benchmark hours as a proxy for underemployment. The use of 40 hours as one of the benchmarks is based on the average 8 hours of work for five days for formal sector workers¹⁴. For all workers aged 15+ years and based on the 40 hours per week benchmark, three countries, namely, Ghana, Mauritius and Madagascar reported at least 4 per cent underemployment (Table 3.6). Rates of 36 per cent and 32 per cent were recorded in Tanzania and Ethiopia, respectively, while Botswana and South Africa saw 19 per cent and 10 per cent of people in employment working less than 40 hours per week. In Kenya, 29 per cent of workers were estimated to work less than 36 hour per week in 2005. Using a benchmark of 25 hours per week, a rate of between 9.5 per cent and 21.6 per cent was reported for persons aged 15+ years in Botswana, Madagascar, Mauritius, Ethiopia, Zimbabwe and Ghana. About 18 per cent of the underemployed in Kenya were

¹⁴ On average the normal working hours in the formal sector in many countries is (8:00am-5:00pm) with an hour's lunch break at noon while the 25 hours a week benchmark was based on a minimum of 5 hours per day for a worker.

estimated to work less than 29 hours while at least 11 per cent of Tanzanian workforce worked less than 20 hours.

Table 3.6 Underemployment rates when hours worked per week were less than benchmarks of 25 and 40 hours

Country	Age Group	<25 hours	<40 hours
Botswana, 2006	15+	9.5	19.0
Ethiopia, 2004	15+	13.1	32.3
		5.6 (Wage employment)	23.0 (Wage employment)
		20.7 (Self-employment)	41.7 (Self-employment)
	15-24	15.0	32.7
		5.9 (Wage employment)	19.9 (Wage employment)
	25.3 (Self-employment)	47.0 (Self-employment)	
Ghana*, 2006	15+	21.6	45.1
		2.3 (Wage employment)	5.6 (Wage employment)
		16.8 (Self-employment)	35.9 (Self-employment)
	15-24	27.3	52.5
		5.2 (Wage employment)	12.9 (Wage employment)
	15.3 (Self-employment)	33.1 (Self-employment)	
Kenya*, 2005	15+	17.8 (<29hrs)	29.0 (<36hrs)
	15-24	15.7 (<29hrs)	27.2 (<36hrs)
Madagascar, 2001	15+	10.8	40.0
		6.6 (Wage employment)	29.3 (Wage employment)
		11.7 (Self-employment)	42.3 (Self-employment)
Mauritius, 2004	15+	12.3	41.0
		9.3 (Wage employment)	38.2 (Wage employment)
		24.4 (Self-employment)	52.9 (Self-employment)
	15-24	9.9	34.0
		7.5 (Wage employment)	30.4 (Wage employment)
	31.9 (Self-employment)	68.1 (Self-employment)	
South Africa, 2011	15+	---	9.7
Tanzania, 2001	15+	11.2 (<20hrs)	35.8
		1.3 (Wage employment)	6.6 (Wage employment)
		11.9 (Self-employment)	38.0 (Self-employment)
Zimbabwe, 2004	15+	18.9	---

* Computed/constructed by Author from nationally representative household survey or censuses

Source: Key Indicators of the Labour Market 7th Edition

Underemployment is higher among the youth than adults in Ghana and Ethiopia because a greater proportion of young people in these countries work less than 25 or 40 hours per week compared to the average for all workers. The reverse however is the case in Kenya and Mauritius where a lower proportion of young people relative to

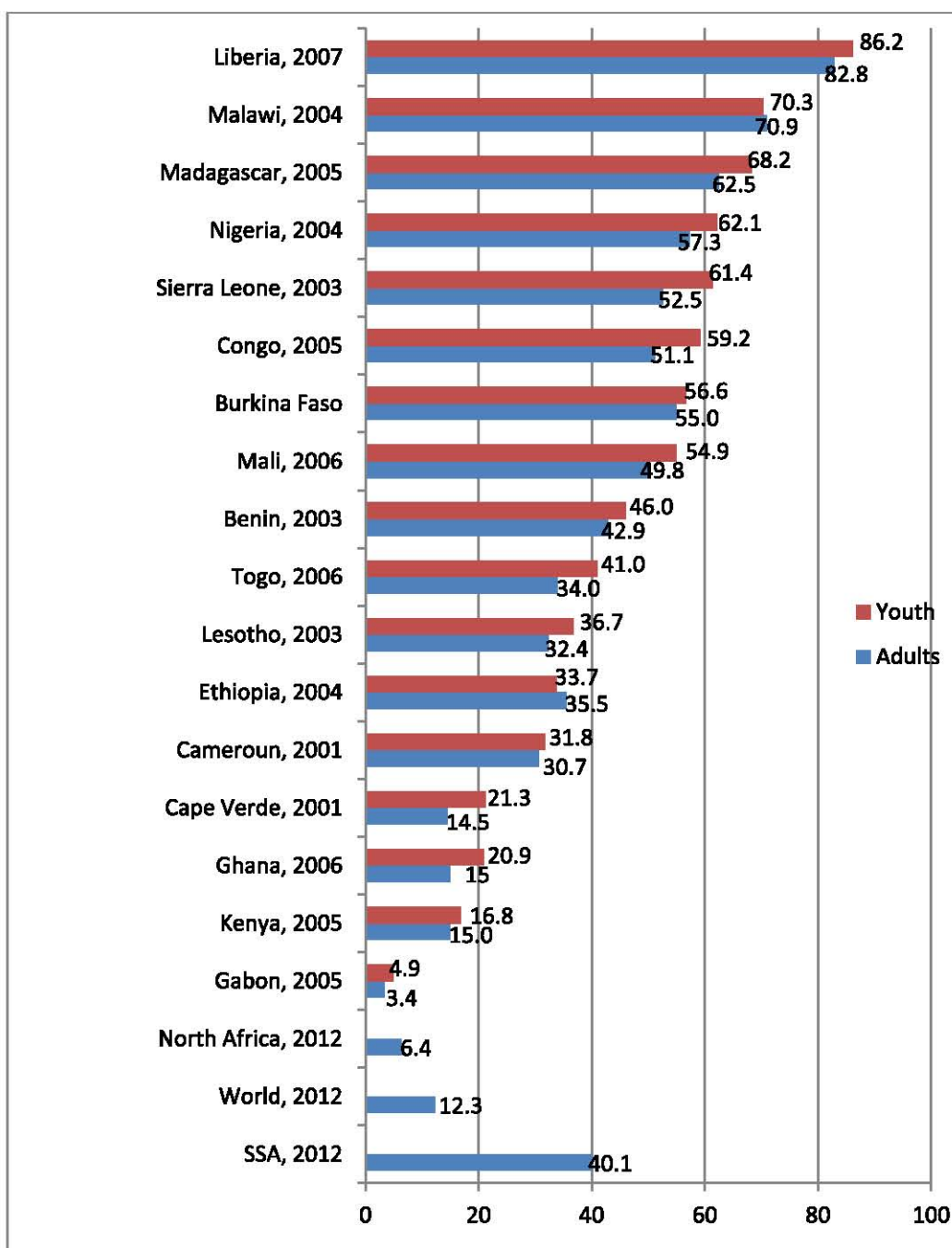
all workers aged 15+ work less than 25 or 40 hours per week. Underemployment based on the number of hours worked is more prevalent in self-employment than in wage employment. As Table 3.6 shows, a higher proportion of workers is below the benchmark of 25 or 40 hours per week in self-employment than in wage employment in Ethiopia, Ghana, Madagascar, Mauritius and Tanzania. In some countries, such as Ghana and Tanzania, the proportion of the workforce working less than 25 hours a week in self-employment is at least seven times more than for persons in wage employment.

3.3.3 Working Poverty

The poor quality of employment in Africa particularly in SSA is reflected in the high share (40%) of working poor in total employment compared with the world average of 12 per cent in 2012 (see Figure 3.6). Indeed, underutilization of human resources manifests itself in 'under-employment' or the 'working poor'. UNECA (2005) defines the working poor as individuals working full-time in agriculture or the informal sector and having very low earnings. When a young worker finds a job, it is likely to be of low quality in terms of wages, benefits and job security. In many African countries, very few young people have access to wage or formal sector employment. With the exceptions of Botswana and South Africa – all of which have high youth unemployment rates – less than 20 per cent of Africa's youth have wage employment. Over 70 per cent of young workers in Congo, Democratic Republic of Congo, Ethiopia, Ghana, Malawi, Mali, Rwanda, Senegal, and Uganda are either self-employed or contributing family workers (Table 3.5). Most of these jobs offer low wages, few benefits and few opportunities to build skills. For the great majority of African economies the employment problem is more about the quality of a job rather than the absence of a job.

There is a link between vulnerable employment and working poverty. In 2011, a lower working poverty rate of 6.4 per cent was recorded in North Africa where vulnerable employment stood at 41 per cent (Table 3.5). In contrast, a working poverty rate of 40 per cent was recorded in SSA which had a vulnerable employment rate of about 78 per cent. Figure 3.6 displays working poverty rates for the youth and at older ages for 17 African countries. It can be seen from the table that there is a higher working poverty rate among young people than among adults in all countries except in Ethiopia and Malawi where working poverty rate is marginally lower among the youth. Working poverty rates of between 55 per cent and 86 per cent for young people were recorded in countries such as Mali, Burkina Faso, Congo, Sierra Leone, Nigeria, Madagascar, Malawi and Liberia, where the quality of employment is low – as measured by degree of vulnerability of employment. Only three countries, Gabon, Kenya, Ghana and Cape Verde reported a working poverty rate for young people of between 5 per cent and 21 per cent. Working poverty rates of between 32 per cent and 42 per cent were recorded in Cameroun, Ethiopia, Lesotho, Togo and Benin.

Figure 3.6 Working Poverty Rates for Youth (15-24 years) and Adults (25+ years) in Africa



Source: Constructed from Nationally representative surveys reported by KILM

3.4 Implications of Youth Employment Challenges

The foregoing discussion suggests that youth in Africa suffer from *open* unemployment as well as *hidden* unemployment, the latter arising from lack of interest in seeking employment due to past job search failures or to a perception that a job does not exist. The African youth further suffer from the problem of *disguised* or underemployment and/or low quality of employment, because despite being in employment, they earn very little or work too few hours. The youth face many labor market challenges, including job-skills mismatch, lack of information about jobs, barriers to business capital, and discrimination or stereotyping by employers due to their age or work inexperience (see UNECA, 2011).

The factors that discourage the African youth from participating in labor markets have many economic, social and political consequences. Absence of decent and productive jobs and prospects of a meaningful future for the youth make them feel excluded and this may cause them to use their energy to foment trouble and fuel instability and violent conflicts that can have regional and international repercussions. Social vices, including commercial sex, arm robbery, HIV/AIDS, and drug abuse that are prevalent among the youth could be due to labour market difficulties the youth face. Moreover, the unemployed youth are at a higher risk of contracting HIV/AIDS than those employed (UNAIDS 2004). In addition, many young people may engage in social vices as a way of supplementing their meagre labor earnings.

The frequent reports of migration of low skilled African youth across the Mediterranean Sea and the Atlantic Ocean to Europe and North America with its attendant problems, including death, can readily be linked to youth employment challenges in Africa. The skilled and educated youth, including medical doctors, engineers, lawyers and economists, all trained with national resources in Africa, rush out to Europe, North America and Asia in search of better jobs. This migration exacerbates the problem of brain drain that Africa continues to face. The prevalence of civil conflicts in Africa has been linked to underutilization of skills of the youth on the continent. In Liberia, Sierra Leone, Cote d'Ivoire, Rwanda, Burundi and many other conflict countries, the combatants were mostly young people who did not have anything to do with their time and were easily swayed into joining the rebellion (UNECA, 2011). The recent uprising in North Africa that spread to the Middle East likely has its root in the problem of youth unemployment and hopelessness in the African region. Moreover, poor quality jobs and low labour market incomes of the youth tend to negatively affect their welfare and create a sense of hopelessness. This tends to expose the youth to negative shocks which increase their probability of staying in poverty for a long time. The precarious situation of the Africa youth partly explains their unusually high working poverty rate, estimated at between 55 per cent and 86 per cent in some countries (see Table 3.5).

3.5 Conclusion

The labour market challenge facing African youth today goes beyond conventional unemployment. This is because, the youth unemployment rates based on the conventional measures in many countries are low because many jobless young people who fail to engage in job-seeking are left out. The high rate of inactivity and the considerable number of youth who fall out of the labour force to join discouraged

workers underestimate the real labour market challenges in Africa. The level of hidden unemployment on the continent is high. In addition, the youth who are fortunate to engage in some form of economic activity find themselves in poor quality jobs with low earnings. Quite clearly, the unemployment measure based on traditional ILO conceptual definition of unemployment is misleading. The real labour market challenge confronting the youth in Africa is seen clearly when the discussion on lack of work opportunities goes beyond the traditional measure of unemployment to cover open joblessness, the number of hours worked conditional on being employed, and the quality of jobs. The potential adverse effects of labour market challenges facing the African youth call for thorough research on sources of the problem and the political and economic strategies to address it.

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