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**UNEMPLOYMENT, HOUSEHOLD INCOMES AND  
FAMILY STRATEGIES FOR SURVIVAL**

(Agenda Item 2b)



**INTERNATIONAL LABOUR ORGANISATION  
JOBS AND SKILLS PROGRAMME FOR AFRICA (JASPA)**

**UNEMPLOYMENT, HOUSEHOLD INCOMES AND FAMILY  
STRATEGIES FOR SURVIVAL**

**Paper presented to the ECA Expert Group Meeting on  
the Impact of Economic and Social Changes on the African Family**

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# **UNEMPLOYMENT, HOUSEHOLD INCOMES AND FAMILY STRATEGIES FOR SURVIVAL**

## **1. Introduction**

The prevailing economic situation in many African countries is very depressing. An increasing number of African countries are currently implementing economic reform programmes or structural adjustment programmes, which are designed to transform their economies into market economies where relative prices are determined largely by the market forces, and serve as instruments for allocating resources including labour. Although these African countries opted for the drastic economic reforms with a view of improving upon, the employment situation, providing basic needs and alleviating poverty, the measures have tended to worsen the problems that they were intended to solve.

Thus, the usual consequences of economic reform programmes almost invariably include the following: (i) accentuation of urban unemployment; (ii) faltering wage employment; (iii) decline in the real wages, and (iv) increasing informalization of employment.

High levels of poverty seems to be the rule rather than the exception, and problems of monitoring unemployment and income generation are considerably worsened.

This paper attempts to shed some light on the difficult socio-economic situation in Africa, and makes proposals regarding economic recovery and employment promotion, with a view to improving the welfare of African families.

## **2. Dimensions of the Economic and Employment Crisis**

**As is well known, the 1980s were immensely disappointing in terms of social advancement and economic growth for Africa. Between 1980 and 1989, per-capita GNP declined by not less than a fifth, wiping out most of the progress accomplished since independence. Indeed, per-capita GNP at the end of the 1980s was not significantly different from that of the mid-1960s. By comparison, the economic performance of the other developing countries remained quite strong. Between the mid-1960s and the late 1980s, they were able to double their per-capita income levels, as did the industrial countries. It should be noted that the latter group experienced higher per capita economic growth rates in the 1980s compared to the 1970s. Hence, it was in the midst of a relatively buoyant world economy that Africa experienced its worst recession in recent history.**

**Although some hopes had been pinned on economic recovery in Africa during the 1990s, per capita income in the period 1990-1992 has continued to decline.**

**In its 1992 World Development Report, the World Bank projections for the period 1990 to the year 2000 show an extremely modest per capita income growth of 0.3% per annum for sub-Saharan Africa. The longer term prospects for economic recovery for sub-Saharan Africa remain both sobering and disturbing. While the average per capita income for most countries in the world is expected to rise significantly from 1990 to 2030, per capita income in sub-Saharan Africa will probably reach only \$400 compared to \$3,300 in East Asia, \$9,000 in Eastern Europe and over \$40,000 for the high income countries.**

**Not surprisingly, the persistent economic recession in Africa has brought deep social regression in its wake. Available indicators suggest the social impact of the recession has been quite devastating. Basic needs have**

been the first casualty of the crisis. The 1990 Human Development Report, published by the UNDP, confirms the relatively poor performance of Africa with respect to social development. The average life expectancy is thirteen years below the average of the other developing countries, while the average adult literacy rate is 12 percentage points lower. In terms of real purchasing power, the average per-capita income level in Africa is less than half the level in the other developing countries. The proportion of the African population with access to health services and safe drinking water remain dismally low and both are more than 20 percentage points lower than in the other developing countries. Africa is also the only region in the world where the average calorie supply is below the level required to lead a normal and healthy life.

The Long-term projections of the World Bank indicate that sub-Saharan Africa is the only region in which the incidence of poverty is expected to worsen, with significant increases in the proportion of the population under poverty from 47.8% in 1990, to 49.7% by the year 2000. It is therefore not surprising that the UNDP's Human Development Index (HDI), in its 1992 Human Development Report, has 18 African countries in its group of the last 20 countries which have the lowest HDI.

With regard to the impact of the economic crisis on the labour market, the tendency toward mounting unemployment in the region is undeniable. Population censuses and labour force surveys indicate high levels of unemployment, especially in urban areas. Available evidence suggests that the urban unemployment rate in the region ranges between 15 and 20 per cent, up from approximately 10 per cent in the mid-1970s. It means that in absolute terms, there are approximately 14 million urban unemployed in Africa. The number of urban unemployed is growing at an exceedingly high tempo. It is currently estimated that the unemployed population is growing at 10 per cent or more a year. This is considerably faster than the estimate of 6 per cent a year during the 1960s.

Our projections of employment prospects in our ILO/JASPA African Employment Report 1990 indicate that overall, productive employment is projected to increase at 2.4 per cent per annum while the regional labour force is projected to expand by 3.2 per cent. Hence, the employment situation will deteriorate further during the 1990s. Employment will expand fastest in the informal sector (3.5% p.a.), followed by the rural sector (2.5% p.a.) and the modern sector (2.0% p.a.). The two most important labour sponges during the 1990s will continue to be the rural and informal sectors, generating 71 and 23 per cent respectively of all productive new jobs. The modern sector is unlikely to generate more than 6 per cent of the number of jobs required in the future. Our review of the African Employment prospects in our ILO/JASPA African Employment Report 1992, confirms our 1990 assessment and suggests infact that prospects as perceived now are less bright than in 1990.

### 3. Household Incomes, Wages and Salaries

Household incomes are usually derived from wages and salaries, and other sources of income such as rent, profits, and interest income. Given the continuous decline on average in per capita incomes in sub-Saharan Africa since 1980 household incomes also dropped substantially. However, for many families in Africa in the modern sector, the main source of household income consists of wages and salaries.

The low level of demand for labour in the modern sector has also had an adverse impact on the level of wages and salaries. Most commonly, wage cuts have been administered through inflationary erosion. Out of the 28 African countries for which recent data are available, only one reported a modest increase in real wages. The other 27 countries all registered considerable losses. On the average, real wages declined by approximately 30 per cent between 1980 and 1986. Minimum wages have also followed a

**fundamental downward trend in several countries during the 1980s. Based on a sample of 29 countries, 25 saw their real minimum wage erode between 1980 and 1986. The average real minimum wage fell by 20 per cent over that period.**

**It is important to note that in most cases, the dramatic fall in real wages occurred during the first half of the 1980s. The reason for the relative wages stability in recent years is that they have reached a nutritional minimum below which they can hardly be compressed any further. Minimum wages have fallen below the food-poverty line in several countries.**

**Wage erosion seems to have been more pronounced in the public sector than in private enterprises. Very often, reductions in the public sector wage bill have been one of the major targets of adjustment programmes. The easiest way of achieving this target has been through the implementation of wage freezes rather than recruitment freezes or retrenchment. A recent ILO survey of civil service pay in Africa shows that the real starting salaries declined in all the 14 countries that were surveyed. Moreover, the real starting salary in the highest grade decreased much faster than that in the lowest grade. On the average, the real starting salary in the lowest grade dropped by about one-half between 1975-85, while that for the highest grade plunged by nearly two-thirds. As a consequence, the wage differential between the lowest and the highest grade narrowed considerably. Based on a sample of 17 countries, the average wage differential between the highest and lowest grade in the civil service declined by approximately a fifth, falling from 17.2 to 13.5 between 1975 and 1985.**

**Real earnings including earnings from self employment in the urban and rural sectors have fallen below their "efficiency level" in several countries. They often need to be supplemented by other income sources. Modern sector wage employees are forced to seek other income sources to compensate for the calamitous drop in real earning. Moonlighting and job**

**multiplicity among modern sector wage earners have indeed become the rule in many countries.**

**The analysis presented above indicates the magnitude of the African economic and employment crisis. While the challenge posed by the crisis to families seems daunting, the crisis can be alleviated, and economic and social development relaunched on a sustained basis, through a concerted collaboration by the social partners within African countries. A more generous and determined contribution by the international community is imperative for any success in this endeavour. In the following sections we articulate more specifically the actions required to be taken, to alleviate the economic and employment crisis in Africa, with a view to improving the welfare of African families.**

#### **4. The Role of Governments**

**The major responsibility for the alleviation of the African Employment Crisis lies with African Governments. Fortunately African Heads of State, in their Summit Declaration in Abuja, Nigeria in June 1991, on the African Employment Crisis have formally accepted this responsibility. In their own words, "we commit ourselves to take necessary measures within the limits of our resources to accelerate the rate of growth of gross domestic product to at least 5 per cent a year as this is necessary to improve our employment situation. This rate of growth may appear ambitious when compared to our 2.3% per annum growth record of 1986-1990. However, a growth rate of 5% per annum could be achieved, especially if we persevere in our economic reforms and programmes and if our development partners in the industrialised countries intensify their efforts to substantially alleviate our external debt burden". In fact the United Nations in its newly adopted New Agenda for the Development of Africa in the 1990's has set 6% GDP annual growth target for Africa in the 1990s.**

**However in order to achieve these ambitious growth targets, it will be necessary for African governments' to substantially increase their investment levels. The 1980s have witnessed a substantial decline in African domestic savings and investments. The Governments will have to intensify internal domestic resources mobilisation through more efficient tax collection and effective financial and credit policies and institutions. There will also be the need for greater fiscal discipline, transparency and accountability in public expenditures, which are necessary to cut down on waste, make needed savings and increase the returns on government investment projects and overall expenditures.**

**It will be very essential for Governments to provide as well, an enabling environment that will stimulate the growth of indigenous entrepreneurship. Furthermore Government will have to review regulations and administrative procedures which discourage the inflow of foreign private investments. In fact in a period of increasing international competition for limited foreign public and private capital, governments need to adopt aggressive policies to attract foreign capital and savings. This will require a superior record in economic management, good governance, and political stability.**

**Besides individual initiatives by African Governments, there is need for collective African efforts to accelerate moves towards external debt reduction through substantial cancellations and debt forgiveness and other debt reduction measures. The collapse in the price of African commodity exports, has to be arrested if the capacity to import, needed for economic recovery, is to be increased. Efforts have to be made to revive the collapsed international commodity agreements. Finally in the face of the limited small markets provided by individual countries, African government will need to move from rhetorics to serious implementation of their economic integration schemes at sub-regional and continental levels.**

**However, a mere acceleration in economic growth will be insufficient to ensure a substantial alleviation of the employment crisis in Africa. It must be remembered that the employment problem in Africa surfaced in the 1960s at a time of relatively rapid economic growth. The lesson of the 1960s and 1970s, is that the pattern of economic growth must be employment intensive, if economic growth is to be translated into substantial employment generation. Hence in the 1990s, Governments have to ensure that their economic growth will be more employment intensive. The strategy to achieve this objective lies in allocating more investible resources into more employment intensive sectors such as the rural sector and the urban informal sectors. Similarly as it is known that medium, small scale, and micro enterprises, including co-operatives are more employment intensive in their operations, these type of enterprises need to receive a much larger share of available investment and credit resources.**

**Research has also shown that investment in basic needs goods, besides assuring greater equity, also leads to greater employment generation and economy in foreign exchange use compared to investment in luxury goods. A major requirement in increasing the employment intensiveness of the growth process is the adoption to the extent possible, of more employment intensive technology in all sectors of the economy. There is considerable scope for the large scale adoption of labour intensive technology in the implementation of rural and urban based works. The Ministries of Labour, Planning, and Works have major roles to play in pushing for the adoption of more employment intensive development strategies.**

**The Ministries of Labour need to play a more active role in employment promotion. This requires the existence of a strong employment promotion department in the ministries. Such departments should see their roles in a new light as endorsed by the OAU Labour Commission in Arusha in 1987. This will require moving out of the traditional mould of Labour ministries**

concerned mainly with Labour administration and industrial relations, and seeing the operation of employment exchanges as their main employment function. If this strategy is pursued Ministries of Labour will see their status enhanced in the society, as they will be seen as addressing issues considered more vital to the society and economy. In these circumstances, they will likely receive increased budgetary allocations as promised by African Head of State in their Abuja Declaration on the African Employment Crisis.

The existence of such strengthened Employment Departments in the Ministries of Labour will increase the prospects of paying greater attention to the following Labour Market policy issues.

- (a) The Articulation of a Comprehensive Employment Policy and Programme (in collaboration with the Ministry of Planning). Such as employment policy will inevitably, Propagate the strengthening of employment planning and Labour Market Analysis and the compilation and updating of comprehensive labour market information systems which are necessary to assess progress being made to meet the employment challenge and chart new courses for action as may be necessary. A comprehensive national employment programme is needed as a powerful instrument in the fight against poverty and unemployment.
- (b) The creation of a conducive regulatory and policy environment for rural and informal sector employment. While interest is growing in the potential contribution of these sectors to employment promotion, our experience in JASPA shows that few African governments have initiated positive policies or effective programmes in support of these sectors. At best these sectors are lumped with modern small scale enterprises. There is need

for Governments to create special units and institutions to address specifically the challenges of employment promotion in the rural and informal sectors.

- (c) Wages Policy The sharp decline in real wages in recent years has created havoc to worker morale and productivity. A critical component of employment promotion policy in the face of adjustment is to allow a greater ambit for market forces to be put to work in the labour market. While the capital and product markets are being allowed to operate freely, the labour market is shackled with wage freezes or frequent unilateral Government decisions on wage increases. Government should allow greater freedom for collective bargaining. The Ministry of Labour is best placed to push this point of view in Government.
- (d) Public Sector Retrenchments and Redeployment. This is a complex problem. However, as happened in Ghana, it is possible for the Ministry of Labour to play a leadership role in articulating and implementing a carefully conceived and phased programme of orderly retrenchment and redeployment. Such a programme requires inter-ministerial co-operation and active participation of Employers' and Workers' organisations.
- (e) Mainstreaming of Vulnerable Target Groups. The Youth and Women are the target groups bearing the brunt of the employment problem. Past approaches have tended to concentrate on special employment schemes for Youths and Women, as well as disabled persons. Experience has shown that this approach has had limited success. Accordingly in the 1990s, it is necessary to mainstream these vulnerable groups to ensure that they benefit from the major development and employment projects being implemented.

- (f) **Poverty Alleviation and Social Funds.** The widespread adoption of market principles under structural adjustment programmes has led to an acceleration and aggravation of the poverty problem. While it is accepted that one of the best ways of alleviating poverty is through employment promotion, it is recognised that structural adjustment related social costs may call for special government programmes to assist the poorest groups. The Ministry of Labour has often been called upon to play a role in the articulation and implementation of so-called social action programmes such as PAMSCAD in Ghana or PAPSCA in Uganda.
- (g) **Human Resources Development and Capacity Building.** The Seventh African Regional Conference of the ILO (Harare 1988) discussing rural and urban training concluded inter-alia. "It appears that in many African countries, training systems do not fully reflect current needs and opportunities. In fact in order to make a meaningful contribution to solving employment and poverty problems, it is indispensable to make major changes in training systems in particular: to reach larger numbers of trainees, especially disadvantaged groups such as women and the handicapped; to help trainees create their own employment, and to raise the productivity and to improve the conditions of those already working". Since Ministries of Labour are in many countries responsible for vocational training, there is need to review their vocational training programmes to reflect the requirements of the labour market not only for formal sector employment but informal sector needs as well.

Finally in order to orient Ministry of Labour and other Government officials to the requirements of the national employment promotion strategy,

there is need for considerable capacity building and strengthening in Government.

#### **5. The Role of Employers' and Workers' Organisations**

Employers and Workers' organisations have crucial roles to play in employment promotion under adjustment. They should play an active role in shaping the overall adjustment policies and programmes implemented nationally. As Governments are often slow to call on Employers and Workers to join in the articulation of policies before they are ready for implementation Employers' and Workers' should seize the initiative by approaching Government with their carefully considered views and proposals, at the policy conception stages. This improves the prospects for arriving at consensus and ensuring a stable environment for the implementation of adjustment programmes.

The enhancement of efficiency and productivity in production is a major goal of structural adjustment. Employers' and Workers' organisations obviously have a role to play here by contributing to the conduct of on-the-job training, and the introduction of improved technology to enhance efficiency.

The promotion of indigenous enterprise, which in turn contributes to employment promotion is an important area in which both Employers' and Workers' organisations have an important role to play. They need to assist with the organisation of small scale and micro entrepreneurs especially in the informal sector and rural sectors and find ways of lending them assistance. Some efforts are already being deployed in this direction in many countries. However, so far achievements have been modest and much more remains to be done.

**Employers and Workers' should find ways of goading Governments into establishing the proper environment for foreign capital inflows. Employers' and Workers' organisations also need to contribute to the drive towards economic integration at sub-regional and continental levels. They also need to persuade their counterparts in industrialised countries to work towards creating a better international environment for African economic recovery especially on the questions of debt cancellation and improved export commodity prices.**

#### **6. The Role of the International Community and the ILO**

**The major contribution of the International Community to economic recovery and employment promotion in Africa would be to facilitate the implementation of the UN's New Agenda for the Development of Africa in the 1990s (UN-NADAF). This Agenda calls for priority to be given to Human Development with its emphasis on employment promotion, amongst other issues. The ILO on its part has always placed employment promotion high on its agenda for action. The fight against poverty with emphasis on employment promotion in the rural and informal sectors is a priority in the ILO's budget proposals for the 1994/95 Biennium. The promotion of employment is now the top priority in the African regional priorities of the ILO and this will remain so through 1994/95. Africa will continue to absorb more than 50% of ILO's global technical co-operation resources. The ILO interdepartmental project on structural adjustment and employment with a second high level meeting planned on SAPS and employment in 1994 is intended to keep employment promotion under SAPS, high on the international agenda. Finally, International Assistance is needed to support the implementation of the 1991 OAU Abuja Summit Declaration on the Employment Crisis in Africa.**

**In closing, we need to reiterate that it is only through concerted action of all major domestic actors with strong support from the International Community that we shall bring the African Economic crisis to an end. We can usher in a new era of sustained prosperity and equity in Africa. We must not fail.**

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