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Economic and Social Council

**“Meeting the Challenges of
Employment Creation and Productivity
Growth in Africa and the
Least Developed Countries”**

**Wednesday, 5 July 2006
Geneva, Switzerland**



United Nations

Introduction

The 48 least-developed countries (LDCs) of Africa and the Asia-Pacific region are home to the vast majority of the world's poor.¹ As recognized by the World Summit 2005 and numerous other international forums, employment creation is the most effective way of tackling this entrenched poverty. However, economic growth in most African countries and LDCs remains insufficient to create decent jobs, while in other countries higher growth rates have not yet translated into the generation of better-paid and more productive work for the poor. The latter scenario is, for example, evident in the oil-exporting African countries and LDCs. As a result, the majority of people continue eking out a living in subsistence agriculture or seeking work in the urban informal economy. In these segments of the economy, employment is characterised by low productivity and wages, underemployment, and poor employment conditions such as high levels of insecurity and vulnerability.

Therefore, the paramount issue facing governments African countries and of LDCs in Africa and the Asia-Pacific region is employment creation, and not just the generation of any jobs, but sufficiently remunerated work that will lift households out of poverty.

Employment situation

Africa and Asia

Though there is considerable diversity amongst LDCs and especially between the two regions, the different dimensions of the employment challenge in these countries can nonetheless be summarised as the following:

- Employment in many countries, especially in Africa, has grown at a slower pace than the population.
- The official unemployment rates in LDCs grossly understate the extent of the employment challenge in these countries, especially given the large informal sectors and underemployment and the working poor.
- Millions of the poor in LDCs are not able to earn enough through employment to lift themselves and their families out of poverty. It is estimated that there were 229.4 million US\$2 per day working poor in Sub-Saharan Africa in 2005, representing 87.0 per cent of total employment. Similarly, in South Asia the working poor constituted 83 per cent of employment. In comparison, the share of working poor in South-East Asia and the Pacific and East Asia was 58 per cent and 46 per cent of total employment, respectively.
- In Latin America and the Caribbean unemployment remained high at 7.7 per cent while US\$ 2 a day working poverty was somewhat lower at 31.8 per cent. However, in Haiti, the only LDC in that region and endured a cycle of internal conflicts resulting in a economic and social collapse, more than two-thirds of the labour force is unemployed or underemployed. The working poor constituted 57 per cent of the employed.
- In contrast Middle East and North Africa region had the highest unemployment rate of 13.2 per cent although the working poverty level was low at 36 per cent. In Yemen, the only LDC in that region, the rate of unemployment exceeded 35 per cent while 45 per cent of the employed was working poor.

¹ The African LDCs are: Angola, Benin, Burkina Faso, Burundi, Cape Verde, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, The Gambia, Guinea, Guinea-Bissau, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Somalia, Sudan, Tanzania, Togo, Uganda and Zambia. The LDCs in the Asia-Pacific region are: Afghanistan, Bangladesh, Bhutan, Cambodia, Kiribati, Lao People's Democratic Republic, Maldives, Myanmar, Nepal, Samoa, Solomon Islands, Timor-Lesté, Tuvalu, and Vanuatu.

- The majority of the working poor are located either in the urban informal sector, or in agriculture, which still accounts for over 60 per cent of total employment in South Asia and Sub-Saharan Africa, respectively. A similar story relates to Haiti and Yemen, two LDCs from Latin America and the Caribbean and the Middle East and North Africa regions, the agriculture employing more than two-thirds and three-fourths of the employed, respectively.
- The exclusion of women from high paying job opportunities persists in most LDCs, with significant costs to overall socio-economic development. Women in some countries are prevented from participating at all in the labour market, while in others women work mainly in the informal economy.
- Youth unemployment is a widespread problem in both the African and Asia-Pacific LDCs, a situation that stems from the general lack of employment opportunities, high population growth rates, low literacy rates, poor quality of education, and skills mismatch. The official youth unemployment rate in 2004 ranged from 7.5 per cent in East Asia and 10.8 per cent in South Asia to 17.1 per cent in South-East Asia and the Pacific and 19.7 per cent in Sub-Saharan Africa. Again, these figures understate the actual extent of unemployment due to large levels of underemployment.
- Poverty continues to force children to take up employment in many African countries and LDCs. The Asia-Pacific region harbours an estimated 122 million working children between the ages of 5 and 14, accounting for 64 per cent of the world's total. In Sub-Saharan Africa there are approximately 49.3 million economically active children, which represents the highest incidence globally (26.4 per cent of children aged between 5 and 14). It is estimated that 23 per cent of children between the ages 10-14 were working while in Yemen the ratio was 18.5 per cent
- The dearth of employment statistics imposes severe constraints on policy making in both Africa and Asia-Pacific. Africa in particular is the most under-reported region with regard to employment indicators.

The Least Developed Countries

Scarce international comparable data prevents from making generalization about employment in African and Asia-Pacific LDCs. Only 5 LDCs (three in Africa and two in Asia and Pacific) report data on employment, including 3 (Bangladesh, Tanzania and Uganda) which have trend data. Data available for those LDCs shows slow or negative progress in employment of men and decline in employment of women in agriculture. Decrease of male employment is observed in the industrial sectors of Bangladesh and Tanzania and increase in Uganda. No or negligible changes are observed in the female employment in industrial sectors of all countries with data. Significant increase of male employment in services sector is reported in the case of Uganda and its increase in Bangladesh.

Women are predominantly (70-85 per cent) employed in agriculture, as a result of gender stereotypes about their traditional roles in a society. Another sector where they are usually employed is services (15 per cent in Cambodia, Madagascar and Tanzania, 12 per cent in Bangladesh and 18 per cent in Uganda). Employment of women in industry is negligible in Tanzania but is about 9 and 10 per cent respectively in Bangladesh and Cambodia which have developed an internationally competitive textile industry and 6 per cent in Madagascar which pursued policy of privatization and liberalization and has developed a strong fishery and forestry industry.

LDCs are rich in children and have young populations. In 2004, 43 per cent of their population was under age 15. It is projected that in 2050 the median age in 9 LDCs (Angola, Burundi, Chad, DRC, Equatorial Guinea, Guinea-Bissau, Liberia, Niger and Uganda) will be at or below 23. Populations of Mali, Niger and Uganda where the median age is 16 years or less are the youngest in the world. Furthermore, it is projected that the proportion of persons of working age (15-59 years old) in LDCs will increase from 53

per cent in 2005 to 61 per cent in 2050. Creating employment opportunities and decent work for all those people is the greatest challenge in the sustainable development of LDCs.

Regrettably, data on youth (aged 15-24) employment is available only for 3 LDCs: Bangladesh, Lesotho and Niger. None of those have trend data. The latest data for Lesotho shows 47.5 per cent of youth unemployment rate. However, this is only official unemployment rate in the formal economy. Unofficial data could be higher. In addition, most of employment in LDCs is outside the formal sector of economy.

Selected key issues

Economic growth has not been inclusive

The responsiveness of employment to economic growth has declined drastically in some LDCs during the last decade, which has increased concerns of “jobless growth”. For example, accelerated rates of economic growth in a number of African countries and LDCs have been underpinned by higher commodity prices, particularly oil. As a consequence, oil-producing African LDCs grew by 13.5 per cent over the period 2000-2005, compared with only 3.8 per cent for the non-oil African LDCs. However, since the natural resources sector is capital-intensive and has few linkages with other sectors, this type of growth has not led to the creation of decent jobs for the poor.

How can governments increase economic growth and at the same time translate it into employment creation? For example, can governments promote the expansion of labour intensive-sectors through the use of incentives to attract investment, including FDI? How can resource-rich African countries and LDCs use the revenues from exports to develop economic conditions conducive to employment creation in other sectors, which will ultimately benefit the poor?

The challenge of creating decent jobs

Though one of the main objectives for governments is employment creation, LDCs are also faced with the challenge of ensuring that both existing and newly created jobs provide a decent wage and employment conditions to lift these workers and their families out of poverty. In fact, jobs are being created in LDCs, but these are mainly restricted to the informal economy, where both wages and employment conditions are poor. How can governments improve such dimensions without damaging their competitiveness in the global economy and thus economic growth? How can African countries and LDCs increase the decency of work in the informal sector?

An essential step towards both stimulating job creation and improving wages and employment conditions is increasing the level of education and skills in the labour force. This is a major hurdle particularly for African countries and LDCs, where basic education is not yet fully accessible, let alone higher levels of schooling and vocational training. Better-educated workers are essential if countries are to transform their economies and move into the production of higher value added goods and services. What are the main entry points for developing human resources in African countries and LDCs?

The centrality of employment in macroeconomic policies and poverty reduction strategies

Macroeconomic policies provide a great potential for creating jobs in LDCs. Governments need to, therefore, put employment firmly as an explicit objective in all dimensions of macroeconomic policies – fiscal, monetary, financial and exchange rate policies. For example, governments could implement employment-friendly macroeconomic policies such as an exchange rate policy that avoids an exchange rate misalignment and excessive real exchange rate appreciation, which would damage the export sector and result in the loss of jobs.

Poverty reduction strategies adopted by LDCs have typically lacked explicit employment objectives. For example, analysis undertaken by the Economic Commission of Africa shows that the content of the first generation Poverty Reduction Strategy Papers (PRSPs) in African LDCs does not substantially reflect major employment issues and challenges.

What lessons can be learnt from national attempts to embed employment in macroeconomic policies and poverty reduction strategies? What space do African countries and LDCs have to use macroeconomic policies to create employment in a globalised world?

The need for employment creation in post-conflict economies

Post-conflict African countries and LDCs in Africa and the Asia-Pacific region face capacity constraints in the design and implementation of macroeconomic policies because of resource shortages vis-à-vis the requirement of rebuilding economic and social life, while maintaining political stability. In this situation policies should go beyond stabilisation objectives, and focus - at least in the short run - on meeting the need for “collective security” through growth supported by broad-based employment generation. Reconstruction and peace-building programmes should have employment components that include public works programmes and targeted skill training for demobilised soldiers. For example, labour-intensive infrastructure programmes have been successfully employed in a post-conflict setting in such LDCs as Mozambique and Cambodia.

Post-conflict African countries and LDCs experience severe technical and financial constraints that limit their ability to adopt bold approaches in employment creation. How can sufficient fiscal space be created for such countries?

In fact youth unemployment in entire Africa region is 21 per cent and is much higher than the world average of 14.4 per cent. The situation of youth is particularly dismal in post-conflict countries in Africa where the combination of weak governance and heavily damaged infrastructure poses serious difficulties in providing basic services, health care and education to youth. Moreover, there is a scarcity of job opportunities for youth who lack basic education, training and skills to sustain livelihood.

The situation is exacerbated by the difficulty of reintegrating young ex-combatants into their communities which have been devastated by years of armed conflict. This is manifested in broken-down social networks, communities traumatized from past atrocities and a high incidence of HIV/AIDS. The significant number of youth, including young ex-combatants, with able bodies, but little or no basic education/skills and employment, is a perfect ingredient for insecurity and instability. The disaffected youth are more likely to turn to arms, engage in illicit activities, or be recruited for political thuggery, looting, rioting, organized crime, and cross border smuggling of drugs or light weapons, in exchange for meager funds, social recognition, and a sense of ‘empowerment’ and belonging.

Providing this segment of the youth population with skills and involving them as participants in the post-conflict rebuilding and reconstruction process would give them the opportunity to be active agents for

building peace, preventing conflict, and promoting a culture of peace. Therefore, the implementation of post-conflict employment policies at an early stage of the peace mediation process as a pre-requisite for post-conflict reconstruction should be made a priority. These policies would include, inter alia, the provision of access to training and skills development, vocational training and entrepreneurship and utilization of institutions and mechanisms such as the Global Compact, Poverty Alleviation Initiatives and through the United Nations Peace-Building Commission.

How can the two regions cooperate toward effective employment creation for LDCs?

- **Africa-Asia partnerships in economic exchange**
- **Learn from each other through best practices**
- **Africa-Asia partnership in influencing trade rules related to LDCs**