The poverty challenge in Africa: placing decent employment at the heart of the battle

The high incidence of poverty in Africa is the primary development challenge facing the continent today. This chapter examines the salient features and characteristics of the poverty challenge in Africa and articulates the analytical links among growth, employment and poverty to show that employment is a major route out of poverty. It then identifies the employment gaps of Poverty Reduction Strategy Papers. Finally, it provides recommendations for strengthening the employment intensity of the growth process and for mainstreaming employment policies in poverty reduction strategies.

“In Africa, 46 per cent live on less than one dollar a day”

Sub-Saharan Africa has the highest incidence of poverty in the world, and unlike almost all other regions of the world, poverty in Sub-Saharan Africa has been rising over the last decade.[1] The share of people living on less than $1 a day in Sub-Saharan Africa exceeds that in the next poorest region, South Asia, by about 17 percentage points. In 2003 about 46 per cent of the population in Sub-Saharan Africa lived on less than $1 a day—slightly more than in 1980 and in 1990. At the global level, however, the incidence of poverty is much lower—and it is declining, from 40 per cent in 1980 to 20 per cent in 2003.

The share of people below the poverty line tells only part of the story. Many people in Africa are not only below the poverty line, but also poor for long and sustained periods. They are chronically poor, emerging only briefly from poverty. Indeed, the incidence of chronic poverty in Sub-Saharan Africa is the highest among all regions.

Poverty is multidimensional and self-reinforcing. Poor people have low incomes and consumption levels, and many depend for their livelihoods on (low productivity) subsistence agriculture or on the informal sector. Wage-earning workers have low salaries, limited protection and frequent bouts of unemployment. The poor are inadequately educated and tend to be less healthy than the rest of the population.

Poverty is not gender neutral. Access to and control of productive assets by women is limited by the social norms ingrained in African societies. Women are often restricted from product and labour markets. These inequalities result in higher poverty for women and are often accompanied by higher poverty for children, which reduces health and educational outcomes.

Poverty in Africa is often described as mostly a rural phenomenon not only because the majority of the population live in rural areas but also because of the pattern of distribution of economic activity between rural and urban areas. In Africa rural-urban differentials in the incidence of poverty are large and persistent.

The incidence of "working poverty" is high in Africa. Low returns to labour due to low productivity, widespread underemployment and vulnerability to shocks are central to the high incidence of poverty among the employed and self-employed. In fact, the working poor accounted for more than half the employed in Africa in 2003.

What is compelling about the poverty trend is that in recent years it has occurred in the context of positive growth. The failure of growth to reduce the incidence of poverty in general, and working poverty in particular, suggests the need to critically re-examine the nexus of growth, employment and poverty reduction. Curiously, little analytical work has been done in this area. In contributing to the literature on this subject, this report argues that given the dearth of credible formal social insurance programmes in Africa, most poor people tend to be either employed or underemployed. Thus, as evidenced by the high incidence of "working poverty", poverty in Africa is largely a function of poor jobs and low returns to self-employment. Reducing poverty will therefore require a growth process that is accompanied by more "decent jobs", created by improvements in labour productivity, rising wages and better work conditions. Given the low skill levels and productivity of Africa's labour force, addressing the poverty challenge in Africa will require measures to improve poor people's human capital and facilitate their access to the newly created employment opportunities. Other factors that limit poor people's access to employment opportunities include limited access to markets, gender discrimination, restrictive labour regulations and unequal distribution of assets, particularly land.

Because decent employment is a major route out of poverty, it should be placed at the heart of the poverty battle in Africa. This means that employment needs to be effectively mainstreamed in Africa's development programmes, including poverty reduction strategies. However, a 2004 review of the employment content of all full Poverty Reduction Strategy Papers in Africa, including the annual progress reports, found considerable scope for strengthening their employment content. Specifically, the analysis revealed that although most Poverty Reduction Strategy Papers address job creation through a variety of policies (for example, agriculture and rural development, credits and loans, and education and training), very few countries provide specific measures to counter the adverse employment effects of globalization, liberalization and privatization. Furthermore, while all the dimensions of decent employment (except work freedom) are reflected in most Poverty Reduction Strategy Papers, the degree to which decent employment is addressed varies considerably across countries.

Given the current jobless growth trend in Africa, the importance of decent employment to poverty reduction and policymakers' apparent failure to adequately reflect employment policies and programmes in their development plans, this report proposes measures that stimulate employment growth through the adoption of labour-friendly production technologies, improve productivity through human capital development and strengthen the employment focus of development programmes in Africa through the adoption of international best practices, among other strategies.

The poverty challenge in Africa

Africa faces the daunting challenge of lowering its high levels of poverty (see box 3.1 for poverty measures).[2] Unlike most regions of the world, poverty in Africa has been on the rise, despite an upward trend in the real growth rate over the last five years. Poverty in Africa is pervasive, intensive, chronic, gender-biased and largely a rural phenomenon. But most important, current forms of wage employment in Africa provide little refuge from poverty.

> *Even with higher growth rates, poverty is on the rise*

Box 3.1
Definitions of poverty measures

Three different methods are generally employed to measure different aspects of poverty. They all refer to an income threshold, the so-called poverty line that separates the poor from the nonpoor. The interpretation of each measure is different, with the more sophisticated measures also more difficult to interpret.

Headcount ratio
The first and simplest measure of poverty is the headcount ratio—the ratio of people living below the poverty line to the total population. The headcount ratio gives a quick and easy-to-understand first look at the incidence of poverty. A discrete measure, it does not indicate the depth of poverty or the distribution of income below the poverty line. In particular, the headcount ratio remains unchanged even if all the poor get richer without anyone crossing the poverty line.

Poverty gap index
The poverty gap index measures the magnitude or depth of poverty. Expressed as a percentage of the poverty line, it is calculated as the poverty headcount ratio multiplied by the difference between the poverty line and the average income of the population living under the poverty line. The poverty gap index reflects some of the movements within the group of people living below the poverty line. However, it does not change when income is redistributed from the very poor to the less poor and all the poor stay below the poverty line.

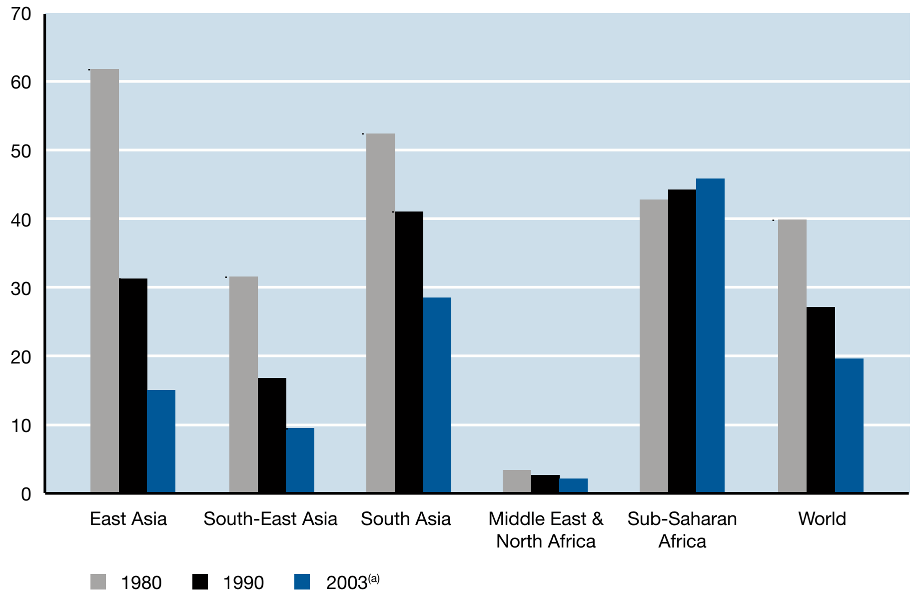
Severity of poverty index
The severity of poverty index is calculated as the poverty headcount ratio multiplied by the squared difference between the income of a poor person and the poverty line, aggregated over all poor people. The severity of poverty index not only measures poverty and depth of poverty but also reflects the distributional effects of the people living below the poverty line. The headcount ratio and the poverty gap index, do not change when income is redistributed from the very poor to the less poor and all the poor stay below the poverty line. However, the severity of poverty index increases indicating that poverty has become more severe for the poorest. The severity of poverty index is more sensitive to the income changes of the poorest and less sensitive to the income changes of those living close to the poverty line. This mitigates the discrete nature of the poverty measures, especially the headcount ratio.

Source: *Ravallion 1992.*

Poverty is extensive, intensive and rising

Poverty (as measured by the headcount ratio) stagnated at high levels in Sub-Saharan Africa, while it declined in most parts of the world (Figure 3.1). In 2003 about 46 per cent of the Sub-Saharan Africa population lived on less than $1 a day—slightly more than in 1980 and 1990. At the global level, however, the share of the population living on $1 a day declined from 40 per cent in 1980 to 20 per cent in 2003. The $1 a day headcount ratio in Sub-Saharan Africa now exceeds the next poorest region, South Asia, by about 17 percentage points (ILO 2004c). Thus, while East, South-East and South Asia and North Africa are broadly on track to meet the Millennium Development Goal of halving poverty by 2015, there has been no progress in Sub-Saharan Africa towards achieving this goal (UN 2004).

Figure 3.1
$1 a day poverty headcount, by region, 1980–2003 (% of population)



Note: *$1 a day estimates are based on purchasing power parity.*

a. *Estimated.*

Source: *ILO 2004c.*

The poverty gap index in Sub-Saharan Africa was 20.5 per cent in 2001 after stagnating at a high level since the 1990s, when other regions succeeded in reducing their poverty gap index. In 2001 it was almost three times as high as in South Asia, the next most impoverished region (Table 3.1).

Table 3.1

Poverty gap index, by region, 1990–2001 (%)

	1990	1999	2001
East Asia	8.9	4.2	3.9
South-East Asia	3.8	2.0	1.7
South Asia	10.3	7.1	7.1
North Africa	0.5	0.3	0.3
Sub-Saharan Africa	19.5	18.6	20.5

Source: *UN 2004.*

Chronic and transient poverty

The share of people below the poverty line tells only part of the story. Many people in Africa are not only below the poverty line, but they are also chronically poor, remaining poor over time or only emerging briefly from poverty from time to time. Most chronically poor people live in South Asia, but the incidence of chronic poverty in Sub-Saharan Africa is the highest (Grant et al 2004).

> *"SSA has the highest incidence of chronic poverty in the world"*

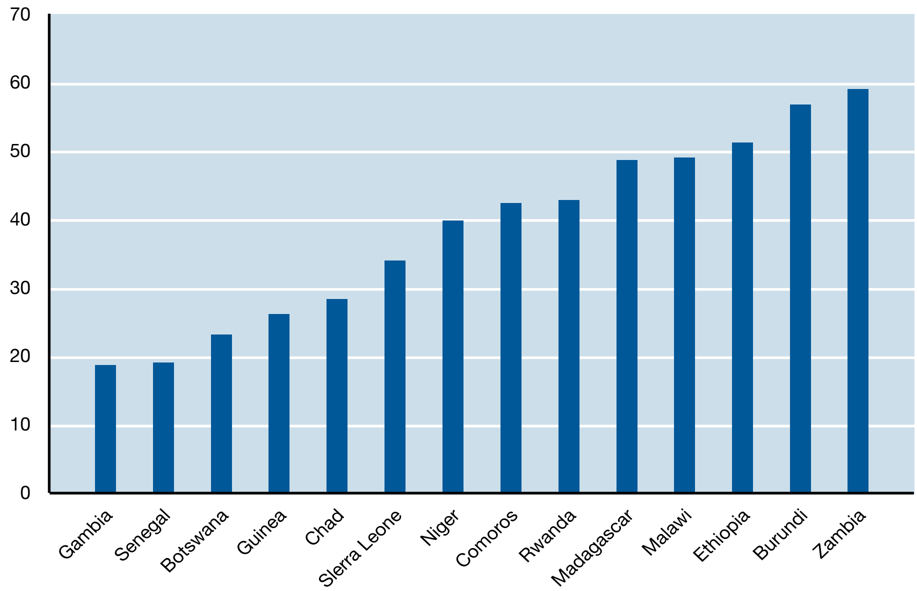
No directly comparable quantitative indicators of the incidence of chronic poverty exist for most African countries because they require longitudinal household data. Studies based on the few data sets of this nature indicate that the share of poor people who are chronically poor is substantial. In Ethiopia 25 per cent of urban households were found to be chronically poor in 1994–97. Similarly, 20.5 per cent of rural households and 10.2 per cent of urban households in Uganda were found to be poor in both 1992 and 1999 (Grant and others 2004).

Without precise data chronic poverty is usually estimated using such proxies as extreme poverty and indicators of long-term nutritional status, including prevalence of stunting. Defined as a height-for-age ratio that is significantly lower than the median for the corresponding age group, stunting is an indicator of sustained malnutrition, which is a sign of continued low-income levels (Grant and others 2004; Ravallion 1992). Using prevalence of stunting as an approximate measure of chronic poverty produces estimates that are close to those provided above. The prevalence of stunting for Sub-Saharan Africa countries was 40 per cent during the period 1992-2000. Countries with a high incidence of income poverty have a very high prevalence of stunting. Zambia leads the group, with a prevalence rate of 59 per cent, followed by Burundi with 56.8 per cent and Ethiopia with 51.2 per cent (Figure 3.2).

Many households experience transitory poverty in addition to chronic poverty. These households fall just above or just below the poverty line and tend to become poor when a climatic or economic shock hits; they tend to be pulled out of poverty once conditions improve. Transiently poor households are an important subgroup of poor households in African countries.

Figure 3.2

Stunting in Africa, 1999–2000 (% of children under age 5)



Source: *Grant and others 2004.*

Different interventions are needed to support the chronically poor and the transiently poor. For example, mechanisms that manage risk by smoothing income and consumption would benefit households falling in and out of poverty, but they would do relatively little for households far below the poverty line, which can only be improved by tackling the deep structural problems that keep them in severe poverty.

Income poverty and human capital

Poverty and its consequences are multidimensional and self-reinforcing. Poor people have low incomes and consumption, and many depend on low productivity subsistence agriculture or on the informal sector for their livelihoods. Informal sector wage-earning workers tend to have low salaries, limited protection and frequent bouts of unemployment. The poor are inadequately educated and less healthy than the rest of the population—deficiencies that prevent obtaining the capabilities needed for a fulfilling life (UNDP 2004).

In 2000 the average primary completion rate for Sub-Saharan Africa was slightly above 50 per cent, while the net enrolment rate was 61.2 per cent. To achieve universal primary education (Millennium Development Goal 2), Sub-Saharan Africa would need to register uninterrupted annual growth of 3.9 percentage points in net enrolment for the period 2000–10, but the average observed growth rate is much less (UNECA 2005). At the current rate of progress only 10 countries from Sub-Saharan Africa and 3 from North Africa are likely to achieve universal primary education by 2015 (UNESCO 2002).

The possibility of halting the spread of HIV/AIDS is constrained by the low level (less than 50 per cent) of condom use in most African countries. Countries that have a high prevalence of condom use among men ages 15–24 may have a better chance of halting the spread of HIV/AIDS. Condom use in this age cohort was as high as 88 per cent in Botswana, 69 per cent in Zimbabwe and 62 per cent in Uganda during 1998–2001.

Ill health and long-term sickness (such as HIV/AIDS) are key contributors to poverty in Uganda. Declining levels of income are associated not only with the loss of wage income but also with the sale of assets such as livestock and land. The disposal of assets seems to be a major way for Uganda's poor to cope with economic shocks (Lawson 2004).

Poverty is intergenerational. Poor people often come from poor families, and their children are more likely to stay poor when they grow up. This applies to traditional income and consumption measures of poverty but also to broader nonincome dimensions. Children of poor people have limited access to schooling and health services, which reduces their future chances in the labour market. Furthermore, like their parents, it makes them part of a politically and socially marginalized class. Higher education in Africa mostly benefits upper-class children, who tend to live in urban areas and whose parents have above average levels of education (Schultz 2004).

"The poor cope by disposing of assets: livestock and land"

Poverty is not gender neutral

Gender differences are ingrained in the social, economic and political patterns of African societies. They manifest themselves in access to and control of productive assets, such as credit, land and education. Furthermore, women are more likely to be restricted in their

Table 3.2
Female literacy, income and government employment, by country, 2001 and 2002

Country	Adult female literacy rate, 2002 (% of male rate)	Estimated earned female income PPP US$, 2002 (% of male income)	Women in government at ministerial level, 2001 (% of total)
Benin	47	69.1	10.5
Ghana	80	74.5	8.6
Kenya	87	90.7	1.4
Morocco	61	40.2	4.9
Senegal	61	55.0	15.6
South Africa	98	44.9	38.1
Uganda	75	65.9	27.1

Source: *UNDP 2004.*

access to product and labour markets. These inequalities result in a higher incidence of poverty among women—often accompanied by rising poverty among children and invariably lower health and educational outcomes (World Bank 2001).

> Literacy is lower among women than men

Literacy is lower among women than among men (table 3.2). Education of women has a significant impact on their bargaining power within the household and thus on resource allocation and their chances in the formal labour market.

Educated women tend to have more economic leverage, which can positively influence the nutrition and education levels of their female offspring (Duncan 1991). Differences in bargaining power also partly explain the important variations in the consumption patterns of men and women living in the same household. Women tend to spend more on daily household consumption, such as food, healthcare and clothing. Men spend more on personal consumption, luxury goods (alcohol and tobacco), household maintenance and social investments (Smith 1994).

Having less education also makes women more likely to be involved in unstable and low-paying jobs and economic activities, which translates into significantly lower incomes for women in all countries. The picture is not any better for women's political influence: women are substantially underrepresented in public service employment, limiting their chances to introduce, promote and defend gender-sensitive policies (World Bank 2001).

Spatial dimension—the rural-urban divide

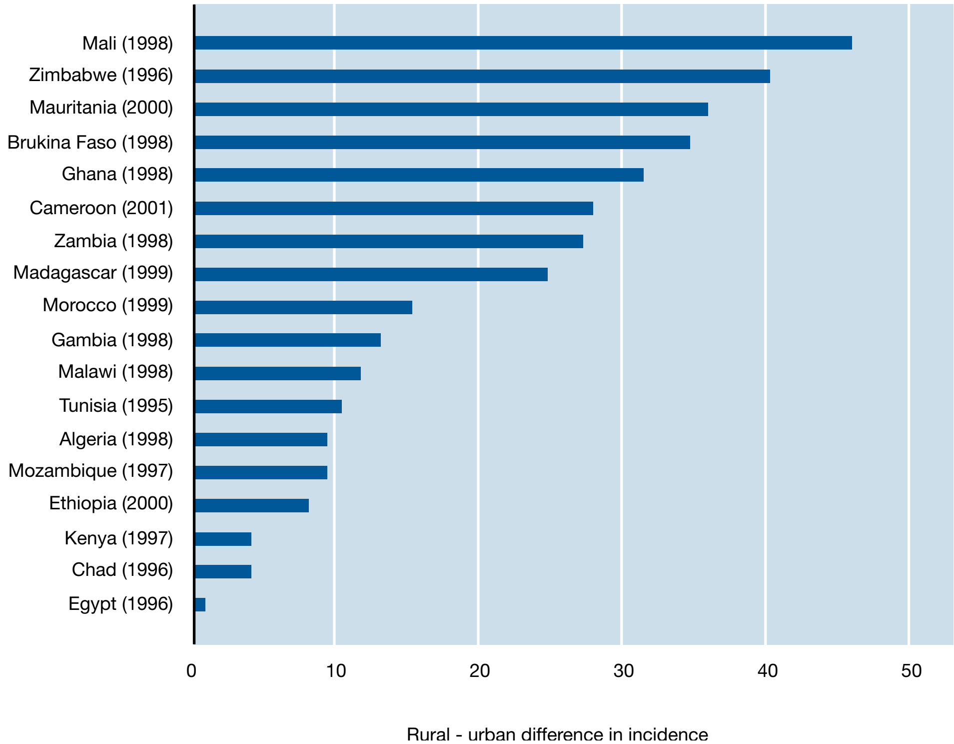
Poverty in Africa has been described as mostly a rural phenomenon not only because the majority of the population live in rural areas but also because of the distribution of economic activity between rural and urban areas. In Africa rural-urban differentials in incidence of poverty are large and persistent (figure 3.3).

Using national poverty lines, the mean difference between incidence rates in urban and rural areas was 19.6 percentage points during 1995–2000. There are large intercountry differences in rural-urban differentials, ranging from 0.8 percentage points in Egypt in 1996 to 45.8 percentage points in Mali in 1998, 40.1 percentage points in Zimbabwe in 1996 and 35.8 percentage points in Mauritania in 2000. Rural-urban differentials are generally high regardless of the overall level of incidence rates.

Observed rural-urban differentials in poverty tend to be persistent. In Cameroon, for instance, the incidence of poverty in urban areas (using the national poverty line) was halved in only five years—from 41.4 per cent in 1996 to 22.1 per cent in 2001. The corresponding change in incidence rates in rural areas (from 59.6 per cent to 49.6 per cent), though commendable by African standards, was significantly lower than the change in urban areas (World Bank 2004b).

When rural-urban differentials have declined, it has been because of a sharp hike in the incidence of poverty in urban areas rather than improvements in rural areas. In Kenya the rural-urban differential declined from 18 percentage points in 1994 to four in 1997—but urban poverty increased by a staggering 20 percentage points while rural poverty increased by only five. Similarly, a decline of about 9 percentage points was observed in Zambia between 1996 and 1998 as a result of a 10 percentage point rise in urban poverty, while rural poverty remained at a very high level of about 83 per cent. In Zimbabwe rural-urban differences increased as a result of sharper increases in rural poverty (World Bank 2004b).

Figure 3.3
Rural-urban differentials, by country, various years (percentage points)



Note: *Data are from household surveys, which were not conducted in the same years in every country. Data refer to national (urban, rural and total) poverty lines.*

Source: *World Bank 2004b.*

Working poverty is widespread in Africa

When the incidence of poverty is so high that two-thirds of a country's population are poor, the poor population will likely include workers whose incomes are so low that they cannot provide their families a decent standard of living. Estimates of working poverty in 2003 show that about 56 per cent of workers in Sub-Saharan Africa earn incomes that do not allow them and their families to reach the consumption level of $1 a day per person (Table 3.3). Only 11 per cent of the working population earn incomes above the $2 a day poverty line. As with overall poverty, working poverty has been declining continuously in most regions of the world, and the incidence of $1 a day working poverty worldwide in 2003 was half its 1980 level. By contrast, in SSA, working poverty stagnated during the same period, making it the sub-region with the highest incidence of poverty on the continent in 2003 (ILO 2004c).

Despite rising real GDP growth, employment is stagnant

Table 3.3

Working poverty shares in total employment, by region, 1980–2003

Region	$1 a day poverty			$2 a day poverty		
	1980	1990	2003[a]	1980	1990	2003[a]
East Asia	71.1	35.9	17.0	92.0	79.1	49.2
South-East Asia	37.6	19.9	11.3	73.4	69.1	58.8
South Asia	64.7	53.0	38.1	95.5	93.1	87.5
Middle East and North Africa	5.0	3.9	2.9	40.3	33.9	30.4
Sub-Saharan Africa	53.4	55.8	55.8	85.5	89.1	89.0
World	40.3	27.5	19.7	59.8	57.2	49.7

Note: *$1 and $2 a day estimates are based on purchasing power parity.*

a. *Estimated.*

Source: *ILO 2004c.*

Decent employment as a major route out of poverty in Africa

Real GDP growth in Africa has generally been on an upward trend since the late 1990s. However, economic growth has neither been associated with a decline in poverty nor an increase in employment. On the contrary, poverty has increased, while employment growth has been virtually stagnant. Empirical evidence nevertheless shows that growth does not necessarily lead to poverty reduction. Indeed, the pattern and sources of growth as well as the manner in which its benefits are distributed are critically important.

This section shows that reducing the incidence of working poverty is critical to reducing poverty because unemployment is not an option for the majority of poor people. It argues that low returns to labour, particularly due to underemployment and low productivity, are the cause of poverty among workers. Furthermore, it shows how employment-intensive growth reduces poverty through the widespread adoption of labour-intensive technologies. Finally, it discusses measures to help poor people capitalize on the benefits of an employment-intensive growth process.

The importance of labour markets in poverty reduction

The impact of employment growth on poverty reduction depends on the extent to which the poor derive their livelihoods, directly or indirectly, from the labour market. Thus, to understand why employment is critical to poverty reduction, it is useful to start by analyzing the key sources of livelihood for poor people. From there, one can distinguish poor people in the labour market from those outside the labour market.

To survive outside the labour market poor people need to be supported by either formal social insurance mechanisms or informal social networks. Because most African countries lack formal social insurance schemes, however, most poor people are employed, underemployed or dependent on employed people through informal social networks for their livelihood. Thus, even people outside the labour market tend to be dependent on individuals in the labour market. In effect, labour markets are central to the livelihoods of poor people in Africa both in and outside of the labour force.

Both self-employed and wage-earning workers tend to be poor because of low returns to their labour. Wage earners may suffer from low returns because they are underemployed or because they receive low wages despite full employment. Underemployment can result from the inability to find a full-time job (open underemployment) or from working full-time but at low intensity (disguised underemployment). Open underemployment is observed more in the informal sector, which acts as a refuge for surplus labour in Africa, while disguised underemployed is observed more in the formal sector, especially the public sector. Full-time workers may also receive low wages due to excess supply of labour relative to vacancies, low productivity or adverse terms of trade (Osmani 2003).

The significance of low returns to labour as a cause of poverty suggests that to reduce poverty, employment-intensive growth must be associated with an increase in the returns to labour. This in turn requires increasing the productivity of labour. However, there is a tradeoff between employment growth and productivity growth: the rate of employment growth declines as productivity rises. For instance, evidence from Ethiopia shows that labour productivity declined in the sectors for which employment growth exceeded the rate of growth of output (that is, where employment elasticities were greater than 1) (Demeke, Guta and Ferede 2003). Therefore, the policy challenge is to minimize the decline in employment growth associated with rising labour productivity by choosing appropriate technologies and investing in complementary factors of production.

The mere availability of good jobs will not necessarily reduce poverty unless poor people can capitalize on the employment opportunities, so decent job creation must be complemented by measures to ensure that poor people benefit from newly created jobs. The impact of growth on poverty reduction depends on two main factors:

- The degree of employment intensity (defined in terms of quantity and quality of employment) of the growth process.

- The ability of the poor to integrate into the growth process and benefit from the employment opportunities created.

Demand-side factors: employment intensity is the key link between growth and poverty

Employment-intensive growth benefits poor people by creating strong demand for their services. Hence, this section examines the conditions that generate strong and sustainable employment opportunities for poor people. These conditions are likely when poor people are disproportionately represented in sectors characterized by strong domestic and external demand and when the technologies adopted by these sectors are largely labour-intensive (Osmani 2003). In addition, the total number of jobs created as a result of increased demand is likely to be higher when the economy has strong intersectoral linkages. Finally, the source of growth also matters. Whether job growth emanates largely from the public or private sector will affect the quality and quantity of jobs created. Following the conceptualization in Osmani (ibid), the employment intensity of growth depends on:

- Which sectors are experiencing growth.
- The choice of technology in the growing sectors.
- Trends in the commodity terms of trade.
- The extent to which labour benefits from higher terms of trade.
- The presence of strong intersectoral linkages within the economy.
- Whether growth is driven by the public or private sector.

> *There is failure in employment-friendly investment*

Sectoral composition of growth. The impact of economic growth on employment depends on which sectors lead the growth process. When growth is spurred by labour-intensive sectors that employ a significant share of the labour force, such as smallholder agriculture, the growth's effect on employment and poverty is greater than when growth is concentrated in capital-intensive sectors such as mining.

In Ethiopia, for example, relatively slow growth in the labour-intensive agricultural sector accounted in part for the limited impact of growth on employment in the post- reform years of the 1990s. Agriculture grew by only 1.9 per cent, while manufacturing, which is largely capital-intensive, grew by 5 per cent a year over 1992/93–1999/2000. However, improvements in productivity and wages in the manufacturing sector had a limited impact on overall employment and poverty because the sector accounted for only 4.4 per cent of wage employment in 1999 compared with 79.6 per cent for agriculture (Demeke, Guta and Ferede 2003). In Uganda, by contrast, high growth in the labour-intensive agricultural sector contributed to a decline in unemployment—from 56 per cent in 1992 to 35 per cent in 2000. About half the poverty reduction between 1992 and 1995/96 can be attributed to higher earnings and wages for farmers (Appleton 1999).

Choice of technology. The impact of economic growth on employment and labour productivity growth also depends on the extent to which the economy consciously adopts labour-friendly techniques across all sectors. Unfortunately, policymakers in many African countries have in the past favoured capital-intensive techniques or failed to promote employment-friendly technologies in all sectors (see chapter 2).

Kenya, for example, used tractors and heavy-duty machines instead of less mechanized techniques such as ox-drawn ploughs and hand tools in the agricultural sector during the 1980s (Khan 1997). Large machines were exempt from import duty and sales taxes and classified in the less restrictive import category, while ploughs and hand tools were subject to high import duty and the most restrictive import category. These policies have displaced labour from large farms and discouraged small farms, which are more productive and labour-intensive. Therefore, it is necessary to promote technologies that maximize employment without unduly compromising productivity. In the agricultural sector, for instance, ensuring access to basic inputs such as seeds and fertilizer, infrastructure such as roads and irrigation, and research and development through extension services can have a favourable impact on productivity.

In Mozambique failure to promote labour intensity in either the composition of output across sectors or the choice of technology within sectors is undermining the country's ability to reduce poverty despite high economic growth (box 3.2).

Box 3.2

Will Mozambique's "mega projects" deliver jobs and reduce poverty?

The key objectives of Mozambique's poverty reduction strategy are to grow by an average annual rate of 8 per cent and to reduce the poverty rate from 70 to 50 per cent by 2010. To achieve these objectives, the strategy has a pipeline of mega projects with projected investments of about $10 billion, or almost 2.5 times current GDP. These large projects have generated interest among foreign investors and will help Mozambique reach its growth objective by increasing manufacturing output and exports.

However, these mega projects might not be sufficient for Mozambique to meet its poverty reduction objective. A review of the projects shows that they will not create enough jobs: the projected $10 billion mega projects investment would generate only about 20,000 jobs—only 5,000 of them directly within the companies involved and the remaining 15,000 among suppliers and services providers. Because 3.7 million new job seekers are expected in Mozambique's labour market by 2010, the 20,000 jobs to be created through the mega projects would absorb less than 1 per cent of these new job seekers. In addition, each job created by the mega projects would cost $1–$2 million in initial investment compared with an average capital per worker of $15,000 in existing firms, meaning that with the same amount of investment funds the average existing firm in Mozambique could create about 100 times as many jobs as the mega project.

Source: *Nasir et al 2003.*

"Mozambique will have 3.7 million new jobseekers by 2010"

Terms of trade. Another factor that affects the employment intensity of growth is the terms of trade. Favourable external terms of trade in labour-intensive sectors will improve the performance of these sectors and consequently improve the quality and quantity of employment. Uganda's high agricultural growth was driven by favourable trends in the terms of trade in general and the prices of cash crops in particular. Coffee, for example, benefited from the boom in prices in the world market. The export price of coffee rose from $0.86 per kilogram in 1991/92 to $2.55 in 1994/95 (Demeke, Guta and Ferede 2003).

However, improvements in terms of trade have not generally been a sustainable source of growth due the volatility of commodity prices over the years. Many Sub-Saharan Africa countries have experienced sharp declines in the terms of trade of many of their primary commodities, which decreased or reversed previous gains from exports. This has decreased employment opportunities and reduced returns to the labour force engaged in the production of these commodities. To reduce exposure to commodity price shocks, exporters must be encouraged to diversify production either by increasing their range of exportable commodities or by producing a mix of commodities for both local and foreign markets.

Price structure. Improvements in the terms of trade will translate into higher returns to labour and improve the livelihood of workers only if the benefits are passed on to producers. This was the case in Uganda, where producer prices as a share of the world price of coffee, increased by at least 50 per cent between 1991 and 1997 thanks to a more liberalized marketing regime. Unfortunately, many African countries have a long tradition of subjecting agricultural exports to low producer prices (IFAD 1992). Low ratios of producer prices to export prices for major agricultural exports reflect an implicit tax on agricultural exports, which constrains productivity and therefore discourages production and employment. Promoting exports and enhancing the livelihoods of cash crop farmers therefore require policymakers to minimize the implicit tax on producer prices.

Intersectoral linkages. The employment-generating effects of growth are more likely to be magnified in economies characterized by strong intersectoral linkages because these links create jobs both directly and indirectly by stimulating demand in related sectors of the economy. For instance, promoting agroindustries is likely to create additional jobs both within and outside the agricultural sector by stimulating the demand for agricultural commodities to feed the agroindustries and by increasing the demand for workers to staff the agroindustries.

Growth led by the public sector or the private sector. The quality and quantity of jobs created through growth will be influenced by the the public and private sectors' roles in driving the growth process. Globally, government employment has been negatively associated with wages and positively associated with fiscal deficit and per capita income. Indeed, the global results stem almost entirely from strong results for Africa and Latin America (Schiavo-Campo, de Tommaso and Mukherjee 1999). Sustainable employment growth will therefore require credible reforms aimed at improving the overall efficiency of the public sector to ensure that job growth is associated with rising productivity. Indeed, when public enterprises are overstaffed, increasing productivity may require downsizing, at least in the short run, which conflicts with the objective of reducing poverty. Minimizing the adverse effects of job losses that may accompany public sector reforms will require employment-intensive growth in the private sector to absorb displaced workers in the public sector. In addition, social safety nets will be required to cushion workers who fail to gain employment in the private sector.

Supply-side factors: poor people's ability to take full advantage of the jobs created

Even a combination of rapid growth and high employment expansion does not guarantee poverty reduction if poor people's capabilities do not match those required by the job opportunities generated and if poor people face barriers to entry into the labour markets either as wage earners or entrepreneurs. So, from the supply side the key factor is poor people's ability to integrate into the growth process, specifically gaining access to the jobs that are created. This is termed the integrating factor by Osmani (2003). The factors that limit access to employment opportunities by the poor include:

- Lack of human capital.
- Limited market access.
- Restrictive labour regulations.
- Gender discrimination.
- Limited access to assets (Osmani ibid)

Human capital. Human capital, broadly defined, has several aspects, including education and health. Modern growth theory suggests that human capital, including health and education, has a strong impact on economic growth and poverty reduction by improving poor people's chances of securing a job, raising the productivity and earnings of the working poor and increasing the efficiency of entrepreneurs.

"*Human capital strongly impacts poverty reduction*"

The education component of human capital can be acquired through formal education or through vocational and skills training acquired either on or off the job. Several studies confirm the productivity-enhancing effect of human capital, but some suggest a more nuanced relationship between human capital and productivity. Pritchett and Filmer (1997) identify several conditions under which human capital, as measured by years of schooling, will have no impact on the growth rate of output per worker. First, schooling will not necessarily create human capital if it does not raise cognitive skills or productivity. Hence, the process of human capital acquisition is important; formal education must be relevant to the workplace if it is to translate into increased productivity. Moreover, when the skills acquired by the labour force are inconsistent with the requirements of employers, structural unemployment results.

Second, increasing the supply of educated workers may not increase wages or productivity if the demand for workers is stagnant due to a recession or a shift to labour-saving technologies. Therefore, human capital development must be associated with employment-intensive growth to reduce poverty.

Finally, the productivity of a skilled labour force is likely to be compromised in bureaucratic, overstaffed and generally inefficient institutions—for example, state enterprises in countries where government is the employer of last resort. Thus, the source of employment growth matters because it influences the productivity of labour and the sustainability of employment growth.

Improving poor people's human capital will require investments in health as well as education because health is an important determinant of productivity. Furthermore, health and education are interrelated: poor people may experience low levels of education due to poor health, and the low health status of the poor may, in turn, be explained by their inability to access health services because low educational attainments compromise their employment and earnings potential. The absence of financially sustainable safety nets such as health insurance programmes and the adoption of cost-recovery pricing measures in several developing countries have left poor people out of health delivery systems. Furthermore, the growing prevalence of HIV/AIDS in Africa has diverted resources from other health services normally provided by governments and contributed to the lack of adequate resources for health-related infrastructure and subsidies. Indeed, in high prevalence countries HIV/AIDS has reduced GDP by an estimated 0.9 per cent (ILO 2004b).

Market access. Improving access to markets is critical to ensuring that poor entrepreneurs capitalize on the benefits (such as increased consumer demand) of employment-intensive growth. Constraints to market access can result from a lack of infrastructure (for example, feeder roads and bridges) or the presence of institutional barriers (restrictive rules and regulations governing market access) and oligopolistic marketing structures that limit access to favoured groups (for example, the phenomenon of market queens in Ghana).

Labour regulations. Improving access to formal wage employment by ensuring that labour regulations do not unduly restrict entry to labour markets will improve the employment opportunities of the poor. Avoiding the so-called "insider-outsider" problem, for example, is critical for poor job seekers. Labour regulations may create asymmetric power between insiders (people already in the formal sector) and outsiders (people seeking entry into the formal sector) (Lindbeck and Snower 1989). In this case, the outsiders, who are more likely to be poor, are effectively prevented from entering the formal sector, and growth benefits the insiders through higher returns to labour (Osmani 2003).

Gender. Gender discrimination limits women's access to productive assets such as land and consequently constrains their options for engaging in sustainable livelihood activities. A study of the influence of rural institutions in determining access and returns on primary assets in Cameroon found that land inheritance is gender biased because women have only user rights not ownership rights to the land (Baye 2002).

Another aspect of gender discrimination in employment is defining certain types of jobs by gender, a form of cultural stereotyping. This is relevant in much of Africa, where cash crops are often identified as men's crops and subsistence food crops as women's crops. Because of this gender pattern of crop production, women hardly benefited from the increased employment potential of the cash crop sector following trade liberalization and greater commercialization. Given that women constitute a predominant share of poor people, the poverty-reducing impact of this agricultural boost is limited. Formulating policies that address the disadvantages suffered by females in the labour market should therefore be a critical step in minimizing the incidence of poverty among women.

Distribution of assets. Asset inequality plays a significant intervening role in the growth-poverty nexus. High inequalities reflect differences in access to public endowments (such as infrastructure, education and health facilities) and private endowments (such as land and capital) in African societies. In turn, limited access to both types of endowments reinforces intergenerational poverty and prevents poor people from sharing in the limited wealth generated on the continent.

Informational asymmetries in the formal credit market, for example, often lead to credit rationing that discriminates against poor people who lack assets. Poor entrepreneurs are compelled to pay exorbitant interest rates in the informal market and are consequently unable to take advantage of increasing economic opportunities generated by a growing economy (Osmani ibid).

> *The PRSPs tackle the surface of employment only*

Land distribution also determines the extent to which growth in agriculture translates into higher earnings for workers in the sector. When land distribution is highly unequal, the benefits of the growth process might be captured by only a few large landholders, with no impact on the employment and wages of the many workers in the sector. By contrast, when land distribution is relatively egalitarian, many smallholders can benefit from the growth process. In Uganda, for example, growth in the 1990s benefited a large segment of coffee producers because smallholders dominate the sector. By contrast, the poverty-reducing impact of the boom in the tea sector was not as great because the sector is dominated by large estates. Analysis of panel data on rural communities in Ethiopia also reveals that households with favourable access to infrastructure and arable land escaped poverty, while those that did not remained poor or fell into poverty (Dercon 2002).

The experiences of African countries in the 1990s show that nations with low initial levels of inequality are more likely to experience declines in poverty (Christiansen, Demery and Paternostro 2002) than those with relatively high initial conditions of inequality. Analysis of a sample of Sub-Saharan Africa countries also shows that the rate at which income growth is transformed into a reduction in poverty decreases with the level of inequality. Depending on the level of inequality in a given country, the reduction in headcount poverty after a 10 per cent increase in real growth varies from as high as 7 per cent to as low as 0.2 per cent (Fosu 2005).

Strengthening the employment content of Poverty Reduction Strategy Papers

Because decent employment is a major route out of poverty, it should be at the heart of the poverty battle in Africa. Consequently, decent employment must be mainstreamed in the development strategies of African countries to be successfully translated into action.

This section presents the main findings of an analysis undertaken by the United Nations Economic Commission for Africa on the employment content of one subset of the development strategies: Poverty Reduction Strategy Papers (PRSPs). A very influential poverty reduction instrument at the moment, PRSPs are linked to aid and debt relief and are used by many African countries. As of October 2004, 21 African countries had full PRSPs and nine had interim PRSPs. The analysis here focuses on the full PRSPs and their respective annual progress reports. The analysis assesses only the degree to which decent employment is reflected in the PRSPs documents, not whether the employment goals are translated into action.

The overall employment content of the full PRSPs is weak

Of the 21 countries with a full PRSP, 17 have an identifiable core section on employment. The absence of an employment section in the other four countries' PRSPs, however, is not necessarily indicative of weak employment content. The assessment of the employment content is based on the extent to which employment issues are reflected in all the sections of the PRSP.

Table 3.4 lists the countries in Africa with a full PRSP by the employment content of their poverty reduction strategies, which is expressed as a share of the positive answers to a set of 116 questions covering diagnosis of the employment situation; policies for creating employment opportunities; policies for improving decent employment; group, regional and sectoral targeting for employment purposes; and quantification of the impacts of policies on the different dimensions of employment. The questions analyze only the explicit employment content of the PRSPs and do not assess the intensity of the effect of the employment policies. The questions do not assess implementation issues, either.

Table 3.4

Breakdown of the 21 full PRSPs in Africa by employment content (share of positive answers to employment-related questions)

Low (0%–33%)	Medium-low (34%–50%)	Medium-high (51%–66%)	High (67%–100%)
Chad	Benin	Tanzania	
The Gambia	Burkina Faso		
Guinea	Cameroon		
Mauritania	Djibouti		
Mozambique	Ethiopia		
Niger	Ghana		
Senegal	Kenya		
	Madagascar		
	Malawi		
	Mali		
	Rwanda		
	Uganda		
	Zambia		

Source: *ECA, based on Benin 2002; Burkina Faso 2000, 2001, 2002, 2003; Cameroon 2003; Chad 2003; Djibouti 2004; Ethiopia 2002, 2003; Gambia 2002; Ghana 2003, 2004; Guinea 2002; Kenya 2004; Madagascar 2003, 2004; Malawi 2002, 2003; Mali 2002, 2004; Mauritania 2000, 2002, 2003; Mozambique 2001, 2003; Niger 2002, 2003; Rwanda 2002, 2003; Senegal 2002; Tanzania 2000, 2001, 2003, 2004, Uganda 2000, 2001, 2002, 2003; Zambia 2002.*

None of the 21 countries had a high employment content, and only Tanzania, at the top of the ranking, had a rating above 50 per cent. Most of the full PRSPs have either medium-low or low employment content, leading to the conclusion that the overall employment content of the full PRSPs is weak. The rest of this section discusses the specific areas that are stronger and weaker in terms of employment content.

Certain policies are used by most PRSPs to encourage the creation of employment opportunities

To encourage the creation of employment opportunities—including generation of new jobs and enhancement of employability— at least two-thirds of the 21 full PRSPs adopted the following policy measures: improved access to education and training, increased access to credit and loans, infrastructure investment, private sector development, agriculture and rural development, and institutional capacity building. However, the degree to which each of these policies address the creation of employment opportunities differs considerably across countries.

Access to training and education as well as credit and loans constitute an important means of increasing people's employability (see below). Training policy is explicitly linked to employment opportunities by all 21 countries. Examples of specific actions to enhance employability through training policy include developing new technical education and vocational training programmes consistent with labour market demand (Benin), creating an employment and vocational training observatory to improve knowledge about the labour market (Burkina Faso), strengthening training centres to encourage self-employment and to create a pool of qualified workers (Burkina Faso), building vocational guidance and counselling systems to facilitate access to available job opportunities (Gambia) and creating demand-driven skills programmes for employment promotion (Tanzania). Fifteen of the 21 countries explicitly link education policy to the generation of employment opportunities, while a similar proportion addresses the generation of employment opportunities through provision of credit and loans (microfinance and microcredit instruments).

Infrastructure investment is one of the most powerful instruments for creating employment and reducing poverty (Calderón and Servén 2004). All 21 countries address the creation of employment opportunities through infrastructure investment either directly (by recruiting workers for infrastructure investment projects) or indirectly (by generating economic activity and hence increasing labour demand). In most cases the infrastructure investment linked to employment is road construction and rehabilitation. Labour-intensive infrastructure investments are often used to generate employment. For instance, in Rwanda labour-intensive public works are one of the main policies for creating jobs (box 3.3).

Twenty of the 21 countries refer to private sector development as an instrument for job creation. And 17 countries explicitly address job creation through the development of small and medium-size enterprises—said to be the subsector of the private sector with the most potential to create jobs (see chapter 7). However, one crucial aspect of private sector–led job creation is rarely mentioned in the PRSPs: reducing and simplifying business regulations

Box 3.3
The importance of labour-intensive public works for creating jobs in Rwanda

Labour-intensive public works are one of the main policies for promoting employment in Rwanda's PRSP. Its goal captures the importance of this policy: "Every sector of government needs to seek opportunities for labour-intensive methods of carrying out their objectives." Promoting labour-intensive public works in Rwanda requires a multisectoral approach in several areas:

- Roads infrastructure.
- Roads and bridges maintenance.
- Agricultural infrastructure.
- Environmental infrastructure (agroforestry, reforestation, soil and water management).
- Water supply.
- Schools and health infrastructure.
- Labour-intensive programmes in urban areas.
- Labour-intensive rural public works programme.

Source: *Rwanda 2002.*

and administrative procedures (see chapter 7). Only the PRSPs of Cameroon, Djibouti and Mozambique consider this an important instrument for generating employment.

Agricultural and rural development's direct and indirect links make it very important for employment creation (see chapter 4). All 21 PRSPs rely on agricultural and rural development to create employment opportunities. For Burkina Faso, for example, agricultural and rural development is the main channel for expanding employment. The actions are very diverse: developing activities in the informal economy primarily related to agriculture, livestock and crafts (Cameroon), developing forestry management (Chad), enhancing the role of regional markets for exporting livestock (Djibouti), electrifying rural areas and developing rural off-farm activities (Ethiopia), using labour-intensive agricultural technologies (Ghana), developing small and medium-size enterprises and promoting microprojects in rural areas (Mali) and supporting labour-intensive agroprocessing in the rural sector (Tanzania), to name a few.

Generating employment opportunities depends not only on the existence of adequate policies, but also to a large extent on the existence of strong institutions capable of managing change with regard to employment issues and playing an intermediary role between supply and demand for labour (ILO with others 2004). Eighteen of the 21 countries with a full PRSP address employment creation through measures related to institutional capacity building. Tanzania is a best-practice case (box 3.4). However, one important aspect of institutional development for employment creation that is addressed in only about half of the PRSPs is the development and improvement of the labour market information system (ILO with others 2004).

Box 3.4

Tanzania's institutional capacity building actions for creating employment opportunities

- Tanzania's poverty reduction strategy contains a wide range of actions to create employment opportunities through institutional capacity building:
- Establishing a Labour Exchange Centre in the capital and Labour Exchange Offices in each region to facilitate the matching of skills of job seekers with job qualifications.
- Upgrading the employment section of the Department of Labour to a full-fledged division on employment with qualified staff and working facilities.
- Revising employment laws, labour relations and dispute prevention and settlement sections of the regulatory framework to create an enabling environment for creating jobs.
- Finalizing the National Employment Policy and creating a Country Action Programme for Employment Promotion under the PRSP process.
- Launching employment study reports and translating, disseminating and mainstreaming them into priority sectors for employment creation.

Sources: *Tanzania 2000, 2001, 2003, 2004.*

Some policies with important potential effects on employment are disregarded in most PRSPs

Some policies that can have important effects on employment—even though they may not be explicitly linked to employment—are disregarded by more than half of the PRSPs: delivery and management of community services; environment protection and management; health, global and regional integration; land access and security; liberalization and privatization; macroeconomic policy; and polices related to population growth.

Macroeconomic policy has enormous potential for creating employment opportunities. Employment-friendly macroeconomic policies facilitate growth of employment-intensive manufactures; develop employment-friendly and long-run growth-oriented public investments framework; manage public sector wages to develop human capacity in public services delivery and to ensure an employment-friendly industrial relations environment; provide tax incentives for investment projects with low investment cost per domestic employee; avoid raising taxes on workers' incomes; and concentrate on expanding tax coverage to property (ILO and UNECA 2004). Nevertheless, only seven of the 21 countries with a full PRSP have a macroeconomic policy that is directly and explicitly linked to employment generation.

Policies related to global and regional integration have many and sometimes severe implications for employment (see chapter 6). Nevertheless, these implications are not examined in most PRSPs. Only 8 of the 21 countries link these policies to employment opportunities, and some countries do not even include global and regional integration policies in their PRSPs. The most serious concern regarding global and regional integration policies is that they are hardly linked to their potential short-term adverse effects on employment. Tanzania and Zambia are the only countries that make a brief reference to these effects. Moreover, none of the PRSPs contain specific measures to mitigate these short-term adverse effects. Even though many PRSPs contain some policies, such as training and social security, that can mitigate the adverse consequences of global and regional integration, these policies are not connected explicitly to this particular goal. Although limited, the scope of national policymaking to mitigate the adverse effects of trade liberalization on employment is considerable (Fosu 2004). National policymakers can reduce labour mobility costs from the importable sector to the exportable sector and can increase the elasticity of labour demand in the exportable sector (see chapter 6).

The potential short-term adverse employment effects of liberalization[3] and privatization policies, as well as the actions to mitigate these adverse effects, are also poorly reflected in the PRSPs. The record, though, is slightly better than in the case of global and regional integration. Eight of the 21 countries mention either the positive or negative effects of liberalization and privatization on employment opportunities. Of these eight countries, six acknowledge the adverse effects on employment of liberalization and privatization policies, and four contain actions specifically meant to mitigate the adverse effects of these two policies. These mitigating actions are microprojects targeting the socioprofessional reintegration of laid-off workers (Burkina Faso), development of the informal sector because of its provision of alternative employment opportunities (Ghana), training and job search programmes (Zambia), retrenchment costs paid by the government to miners (Zambia) and social protection strategy by the Ministry of Gender, Labor and Social Development (Uganda).

Policies related to population growth are another example of policies with important employment effects that are disregarded in the PRSPs. Africa is expected to experience a rapid increase in the supply of labour, which will increase unemployment (see chapter 4). In this context, policies that control the fertility rate and promote the increase of job opportunities become necessary. However, only five PRSPs contain these types of policies, and some do not even include a section on population growth. A few mention the relationship between population growth and unemployment—but only from an analytical point of view, without any explicit reference to their intentions to address the problem.

There is scope for improving decent employment aspects in the PRSPs

So far the analysis has centred on the quantitative dimension of employment. But employment has a qualitative dimension called decent employment, which involves productivity, equity, security, dignity and freedom. The qualitative dimension, especially the productivity aspect, cannot be disregarded in African PRSPs. Generally speaking, decent employment can be better reflected in the PRSPs.

The productivity dimension of decent employment refers to increased output per worker and earnings above the poverty threshold. All 21 PRSPs contain goals or actions to improve the productivity dimension of decent employment. However, the degree to which work productivity is addressed differs significantly across countries. Ghana emphasizes this dimension the most (see box 3.5).

Box 3.5

Ghana's PRSP emphasizes the productivity dimension of decent employment

Unlike the PRSPs of most of African countries, Ghana's PRSP strongly emphasizes the productivity aspect of decent employment: "The national employment policy framework is aimed at creating an enabling environment for accelerated growth and employment. A second objective is to create adequate wage and self-employment opportunities for entrants into the labor market." Furthermore, Ghana's PRSP has a comprehensive set of policies explicitly aimed at enhancing productivity, including:

- Providing training to the self-employed and other informal sector workers.
- Improving the infrastructure, marketing and provision of extension services in the agricultural sector.
- Promoting the use of information and communication technology in the agricultural sector.
- Supporting the development of electronic commerce.
- Providing microfinance for small and medium-size enterprises and rural activities.
- Strengthening the Management Development and Productivity Institute.

Source: *Ghana 2003.*

Equity, security and dignity are the three dimensions of decent employment addressed by most of the PRSPs. However, as in the case of productivity, the degree to which these dimensions are addressed varies across countries and is minimal in some PRSPs. The PRSP of Mali, however, adequately covers these three dimensions (box 3.6). The freedom dimension of decent employment refers to the absence of forced labour and the freedom to join organizations. Unlike the other dimensions of decent employment, the freedom dimension is covered by only a few countries' PRSPs. And even these countries focus only on reducing the prevalence of child labour.

Box 3.6
Work equity, security and dignity in Mali's PRSP

Mali's PRSP clearly emphasizes the need to promote decent employment. In addition, it covers all the dimensions of decent employment, except the freedom dimension.

Equity
With respect to equity the PRSP states that: "Equal opportunity of access to employment, in particular between men and women, will be sought through all employment initiatives."

Security
The PRSP has the following general objectives: "Implementation of specific action programmes aimed at encouraging enterprises to provide better job opportunities and at increasing the incomes of the poorest people, or their protection from social risks." Moreover, the PRSP promotes the development of social security systems (including protection against contingencies such as work-based accidents and industrial illnesses, unemployment, illness and maternity).

Dignity
Work dignity is a strategic objective in the PRSP employment strategy. The particular aspects of work dignity that are emphasized include the creation of jobs of acceptable quality, the promotion of worker's rights and the promotion of participatory social dialogue of workers.

Source: *Mali 2002.*

Gender and youth employment issues are not mainstreamed in all the PRSPs

Apart from creating more and better employment, there is a need to target, for employment purposes, certain groups that deserve particular attention in Africa: women and young people (see chapters 2 and 5).

Sixteen of the 21 PRSPs target women, in various degrees, for the generation of employment opportunities. Several have measures to improve decent employment among the female workforce. But in most cases equity is the only dimension of decent employment that is addressed; only a few countries address the other dimensions of decency.

Employment generation for young people is addressed in various degrees by 17 countries. However, only five countries have the objective of improving any of the decent employment aspects specifically for young people. Most propose to generate employment opportunities for young people through technical education and vocational training. Examples of other actions include creating jobs for young people through the development of the small and medium-size enterprises, fishing, agrobusiness and tourism sectors (Djibouti), a microfinance programme for young people (Ghana); provision of mechanisms to manage transition from school to work, career guidance, industrial attachment, mentoring and coaching (Kenya); setting up different agricultural activities for young people (Madagascar); and creating a multiservice terminal with access to database on unemployed graduates (Mauritania).

Regional and sectoral targeting in the PRSPs for decent employment creation: some gaps

Apart from targeting employment towards certain groups, there is also a need to target employment in specific regions and sectors of the economy because specific regions or sectors might have a special employment need and because by targeting some specific regions or sectors the impact on employment can be larger.

A key consideration for regional targeting of employment is the regional allocation of infrastructure investment. The impact of infrastructure investment on employment creation and poverty reduction is likely to be larger, at least in the short-term, if investment targets regions with high poverty incidence and population density (UNECA 2005). However, in only eight PRSPs do infrastructure investments target regions with a high incidence of poverty. Furthermore, only two PRSPs target regions with high population density and poverty incidence for infrastructure investment.

With respect to sectoral targeting, the informal sector constitutes a very important target because decent employment levels in the sector are especially low (see chapter 2). However, only a limited number of the PRSPs contain goals or actions to address the generation of employment opportunities and the improvement of decent employment in this sector. About two-thirds of them target, in various degrees, the informal sector for the generation of employment opportunities, and about one-third for the improvement of at least one aspect of decent employment. Ghana has perhaps the most comprehensive set of measures to address informal sector employment issues (box 3.7).

Urban areas should also be important targets of employment policies in Africa, because youth unemployment rates in urban areas are higher than in rural areas in nearly all African countries (see chapter 5). However, not all the PRSPs address—notably those of Burkina Faso, Chad, Guinea, Rwanda, Uganda and Zambia—the generation of employment opportunities specifically in these areas.

Other important sectors that should be targeted are the agricultural sector and the rural off-farm sector.[4] In Africa the creation of off-farm employment opportunities together with policies that promote agricultural productivity will raise labour earnings and reduce the

Box 3.7

Ghana's PRSP measures to increase employment opportunities and improve decent employment in the informal sector

Ghana's PRSP focuses on developing the informal sector mainly because of its importance in providing alternative employment opportunities to the formal sector. Improving decent employment is one feature of the development of this sector. The specific measures that help improve decent employment in the informal sector include:

- Promoting the technological proficiency and advancement of the labour force.
- Equipping the workforce with financial and managerial skills.
- Reforming and strengthening the traditional apprenticeship system.
- Making contract enforcement effective.
- Increasing access to credit.
- Creating producer organizations.
- Increasing the production, productivity and employment of the small and medium-size enterprises.

Source: *Ghana 2003.*

incidence of poverty among farmers and rural informal sector workers (see chapter 4). In addition, the rural off-farm sector can help stabilize rural household incomes during the off season (Haggblade, Hazell and Reardon 2002) and in periods of drought. Although, most of the PRSPs articulate measures to increase agricultural productivity and to create rural off-farm employment in general, only a few explicitly promote the generation of rural off-farm employment to stabilize rural incomes. Ethiopia is a notable exception; its PRSP envisages the creation of off-farm income-generation activities to create supplementary employment during food shortages. This goal is implemented through public employment generation schemes that are linked to the development priorities of rural areas (that is, soil conservation, road construction, small-scale irrigation, water supply and sanitation).

The poor quantification of employment impacts in the PRSPs

Quantifying the expected or targeted impacts[5] of policies on the different dimensions of employment is useful for two reasons: it helps assess the magnitude of the impact of policies on employment, and it helps monitor implementation of employment goals. However, the PRSPs rarely quantify the expected or targeted impact of policies on employment op-

Table 3.5

Examples of employment dimensions and policies that are quantified in the PRSPs in terms of their expected or targeted impact on employment

Employment dimension or policy	Country	Quantification
Employment opportunities	Madagascar	Creating 10,000 jobs in 2004, 15,000 jobs in 2005 and 20,000 jobs in 2006.
Work productivity	Malawi	Targeting 340,000 beneficiaries over three years with the Targeted Input Programme, which aims to enhance agricultural productivity.
Work security	Ghana	Expanding the social security schemes by 100,000 workers and introducing a mutual health insurance scheme that covers at least 500,000 workers between 2000 and 2005.
Work dignity	Madagascar	Supporting 1,100 farmer organizations and revitalizing 110 chambers of agriculture from July 2003 to June 2004.
Work freedom	Tanzania	Removing 1,000 more children a year from child labour—half of them girls.
Education and training policy	Madagascar	Adding 13,000 qualified workers a year to the labour force.
Infrastructure investment policy	Malawi	Generating employment for as many as 250,000 participants (time frame not specified).
Private sector development policy	Cameroon	Creating about 300,000 jobs through 15,000–20,000 micro, small and medium-size enterprises within five years.

Source: *Cameroon 2003; Ghana 2003; Madagascar 2003, 2004; Malawi 2002; Tanzania 2004.*

portunities or on decent employment. For most of the policies or employment dimensions considered in the analysis, fewer than three countries provide quantifications.

Table 3.5 shows some examples of employment dimensions and policies that are successfully quantified by particular countries. Note how the PRSP of Madagascar sets an overall target for the employment opportunities that it intends to create. Madagascar's PRSP is also an interesting and unique example of the quantification of training and education in terms of employability.

Conclusion and policy recommendations

Despite rising growth since the late 1990s, Africa has had little success in stemming the tide of poverty. By contrast, the incidence of poverty has risen, unlike in other regions. Poverty in Africa is widespread, chronic, gender-biased and pervasive among the labour force. Indeed, the high incidence of poverty among workers suggests that an employment-intensive growth process underpinned by rising productivity is key to reducing poverty. Employment-intensive growth will benefit poor people if it creates strong demand for their services and is accompanied by measures that facilitate their integration into the labour force. Hence, measures that create strong and sustainable employment opportunities for poor people and empower them to benefit from newly created jobs will be instrumental in reducing the incidence of poverty.

These measures are more likely to be successful if poor people are disproportionately represented in sectors characterized by strong domestic and external demand, if the technologies adopted by these sectors are largely labour-intensive, if poor people have access to productive resources and if poor people have the human capital endowments to access newly created jobs.

Furthermore, the centrality of decent employment to poverty reduction suggests the need to address the employment challenge in the development programmes of all African countries. Currently, PRSPs are one of the most influential development programmes in Africa that explicitly address the issue of poverty. However, an analysis of all 21 full PRSPs in Africa reveals that employment creation is not adequately addressed in most PRSPs.

Given the jobless growth trends in Africa, the significance of decent employment to poverty reduction and the apparent failure of policymakers to adequately reflect employment policies and programmes in their development plans, this report proposes the following broad recommendations.

Stimulating employment growth

- Promote the adoption of labour-intensive techniques, particularly in sectors that employ poor people.
- Encourage export diversification to minimize terms of trade shocks through the production of nontraditional exports.
- Reduce taxes on producer prices to ensure that labour benefits from improved terms of trade.
- Strengthen intersectoral linkages to maximize the spillover effects of growth by designing and promoting integrated development projects.
- Maximize private sector job creation by minimizing constraints to investments and growth (for example, complementary public investments in roads, utilities and the like and minimization of red tape).

Promoting productive employment

Sustainable job growth can occur only in a context of rising productivity. The need to increase productivity is even more urgent in Africa, where most poor people are unskilled and employed in low productivity jobs. Improving productivity, particularly of the working poor, will require measures that not only improve skills but also facilitate access to productive assets. These measures must:

- Facilitate investment in the design and implementation of a human capital development programme (through formal education or skills training) that is relevant to the workplace.

- Improve public sector efficiency through credible reforms that maximize the productivity of public sector employees.

- Maximize physical and financial access to health systems for poor people, through cost-effective investments in social services, including the design of financially sustainable social safety nets.

- Address the adverse effects of major diseases such as malaria, halt the spread of HIV/AIDS and meeting the needs of people living with HIV/AIDS through preventative measures and targeted access to medical care for poor people.

- Improve marketing and distribution channels through improved infrastructure and institutional reforms to address physical barriers to markets (for example, lack of roads, bridges and the like) as well as institutional barriers.

- Improve access to formal wage employment by ensuring that labour regulations are not unduly restrictive.

- Review existing laws and cultural practices to ensure that they do not limit women's access to productive assets and employment opportunities.

Devising social protection schemes

Not even the most employment-intensive growth process can totally eliminate poverty. Robust job growth can occur along with poverty due to frictional unemployment, ill health, old age, physical and mental handicaps and a host of other factors that place workers outside the labour force. Thus, social protection schemes are needed to provide safety nets for those who invariably fall through the cracks.

Strengthening the employment focus of Africa's development programmes

To be completely implemented, these recommendations will need to be reflected in the development programmes of African countries in general—and in PRSPs in particular, because they are the most influential development programmes on the continent. Based on the analysis of 21 PRSPs in Africa, the following recommendations are suggested for strengthening the employment content of development programmes in Africa and facilitating their implementation:

- Ensure that employment strategies are informed by best-practice cases.

- Encourage greater participation of trade unions, labour ministries and labour-friendly organizations (for example, the International Labour Organization) in the PRSP process.

- Set identifiable employment targets to facilitate more effective monitoring of progress towards the realization of employment goals.

- Ensure that PRSPs are integrated into national budgets and receive priority funding from domestic and external (ODA flows) sources.

Endnotes

1 The incidence of poverty has been on the rise in transition economies since 1980; however, these countries have one of the lowest poverty rates in the world (5 per cent).

2 The concept of poverty is often based on income or consumption measures of welfare. However, well-being is broader than income or consumption; it encompasses the environment that people need to lead a fulfilling life (UNDP 2004). This environment includes education, health, freedom and social participation as well as income and consumption. This section describes various features of poverty in Africa.

3 In the analysis of the PRSPs trade liberalization measures are excluded from the “liberalization” concept.

4 The rural off-farm sector includes all rural sectors except agriculture, livestock and fishing. These include industrialization, rural services, rural tourism, rural infrastructure construction and forestry industry. The mining sector is not considered a rural sector.

5 Quantification of actual impacts after implementation is not considered here.

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