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ECONOMIC GROWTH, STRUCTURAL CHANGE AND
LABOUR ABSORPTION IN AFRICA: 1960-85

by

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Preface

The main purpose of this paper is to explore the evolution of the employment situation in sub-Saharan Africa since 1960. In the sixties and early seventies, the questions of employment, income distribution and poverty were at the centre of the discussions and debates on development strategies and policies. In recent years these concerns have been overshadowed by discussions on stagnation, debt, collapse of commodity prices, stabilization and economy reform. This dichotomy is unfortunate as the earlier themes of employment and poverty assume even greater importance in the context of economic decline. This paper thus seeks to relate employment to changes in the growth and structure of African economies.

After a note on methodology, the paper deals with the factors which have influenced the demand for and supply of labour, with focus on the changes over the past decade and a half. This analysis gives some indication of the pressures and imbalances which emerged in the labour market during this period. There is then a discussion of the ways in which these imbalances were manifested and accommodated through changes in the structures of employment and incomes. The discussion on employment in rural areas leads naturally to an analysis of the process of labour adjustment in the non-agricultural, predominantly urban sector. The next section then considers the implications of the preceding analysis for the functioning of labour markets and priorities for research on employment problems.

The principal conclusions of the paper are that the slowdown in economic growth, the nature of the structural change and acceleration in the supply of labour force have worsened the employment situation in the seventies and even more in the eighties. In the rural areas, the crisis has manifested itself in income declines and worsening underemployment in many countries. But the rural population has been shielded from the full impact of the economic crisis by the predominantly subsistence nature of the production of the majority of cultivators and by their relative self-sufficiency in the means of production.

The brunt of the crisis had to be borne by the urban sector. Reduction in rural-urban migration and rise in open unemployment have been of limited importance in most countries as means of adjustment to the pressures in the urban labour markets. The predominant way in which the labour markets have adjusted to the economic crisis of the past decade has been through sharp reductions in real wages which have helped sustain employment in the formal sector and a rapid expansion of the informal sector with falling real wages and earnings, resulting in work-sharing and increasing underemployment.

Some of the research implications that flow from this analysis, especially those related to livelihood in the informal sector and the survival strategies of the vulnerable groups in urban areas, will be treated in two of the research projects that UNRISD intends to initiate in 1988, namely, Adjustment, Livelihood and Power: the Social Impact of the Economic Crisis, and Food Policy in the World Recession.

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I. Introduction

The main purpose of this paper is to explore the evolution of the employment situation in sub-Saharan Africa in the seventies and the eighties. ^{2/} In the sixties and early seventies, the questions of employment, income distribution and poverty were at the centre of the discussions and debates on development strategies and policies. In recent years these concerns have been overshadowed by discussions on stagnation, debt, collapse of commodity prices, stabilization and economic reform. This dichotomy is unfortunate as the earlier themes of employment and poverty assume even greater importance in the context of economic decline. This paper thus seeks to relate employment to changes in the growth and structure of African economies.

The past decade has witnessed important changes in most African countries in the economic status of different social groups and in the nature of the employment problem. It is not clear that these changes have been fully "absorbed" in economic analysis and programmes of action proposed for sub-Saharan Africa. Certainly many of the popular discussions continue, explicitly or implicitly, to reflect the situation prevalent in the late sixties and early seventies. It is, therefore, hoped that this paper may contribute to the ongoing process of reassessment of policies and research priorities in the light of the recent changes in the nature of the employment problem and the pattern of labour markets in African countries.

The scope of the paper may be indicated by its structure. In view of the somewhat different methodology used here than is customary in analysing employment problems, the next section deals with some methodological issues. This is followed by a discussion of the factors which have affected the demand for and supply of labour since 1960, with focus on the changes over the past decade and a half. On the demand side, consideration is given to the rate of economic growth and the pattern of structural changes, while reference is made on the supply side to the growth of the labour force. This analysis gives some indication of the pressures and imbalances which

emerged in the labour market in the seventies and the early eighties. Consequently the subsequent sections deal with the ways these imbalances were manifested and accommodated through changes in the structures of employment and incomes. The discussion on employment in rural areas leads naturally to an analysis of the process of labour adjustment in the non-agricultural, predominantly urban sector. The following section then considers the implications of the preceding analysis for the functioning of labour markets and priorities for research on employment problems.

Given the wide scope of the paper, the limitations of space and of the quantity and reliability of data, the conclusions reached in the paper should be regarded as no more than suggestive of some of the main trends in the employment patterns and labour markets of the African countries over the past decade and a half. The paper will have served its purpose if it stimulates deeper investigations at the country level on these important issues.

II. A Note on Methodology

There are at least four aspects of methodology which deserve some comment. These relate to the level of aggregation, method used to estimate imbalances in the labour market, the availability of data and the periodization used in the study. With regard to the first issue, we have adopted an approach which steers a middle course between in-depth analysis at the country level and generalizations at the continental level. Countries are usually classified into three groups in accordance with their performance with respect to such variables as growth, structural change, labour absorption, etc. This approach enables us both to capture the diversity of experience as well as discern common patterns at the continental level. In order to reduce the number of countries to a manageable sample, it was decided to consider only those with population in excess of five million persons in mid-1979. This yielded a sample of 21 countries. While this selection criterion leads to the exclusion of small countries, it leaves us with a large number of countries which display considerable diversity with regard to resource endowments, development levels and strategies, and growth experiences.

The second aspect relates to estimation of employment generation. Since time series data on unemployment and underemployment are not available

for any country in sub-Saharan Africa, it was decided to have recourse to an indirect method of estimating labour absorption. The demand for labour is approximated by the rate and pattern of economic growth. The former is measured by the trend in growth rates of GDP while structural change is captured by the interrelated indices of change in the share of agriculture in total output and in labour force, and the degree of urbanization. The supply side is estimated by the growth in labour force. The balance between the forces of demand and supply gives an indication of the effectiveness of labour absorption.

It is clear that analysis at this level of aggregation can only give a very rough picture of the trends in labour utilization. Evidently a given rate and pattern of economic growth can be associated with widely varying paths of labour absorption. The output mix, the organization of production within a sector, the choice of technology, to mention only the most important variables, can profoundly affect the level and growth in labour utilization. The category 'industry', for example, can comprise both a highly capital-intensive mining complex as well as labour-intensive household processing of food. Likewise, activities in the service sector can range from computerized modern banking to the proverbial shoe-shining on a street corner.

The third issue concerns the reliability of data. As is well known, data on variables such as economic growth, sectoral outputs, composition and growth of labour force, etc. are subject to a wide margin of error within individual countries and vary in quality from one country to another. We have relied for the most part on data published in various World Bank publications with occasional recourse to FAO and ILO sources. No attempt has been made to assess these data for accuracy or consistency.

The fourth issue concerns the periodization used in

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