



ACCELERATING GLOBAL ACTIONS FOR A WORLD WITHOUT POVERTY

**Inter-agency Expert Group Meeting on Implementation of the Third
United Nations Decade for the Eradication of Poverty (2018-2027)**

**United Nations Department for Economic and Social Affairs
Division for Social Policy and Development**

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SETTING THE STAGE: POVERTY, EMPLOYMENT AND INEQUALITY (Session 1)



**Addressing challenges to poverty
eradication through tackling
informality and inequality in Africa**

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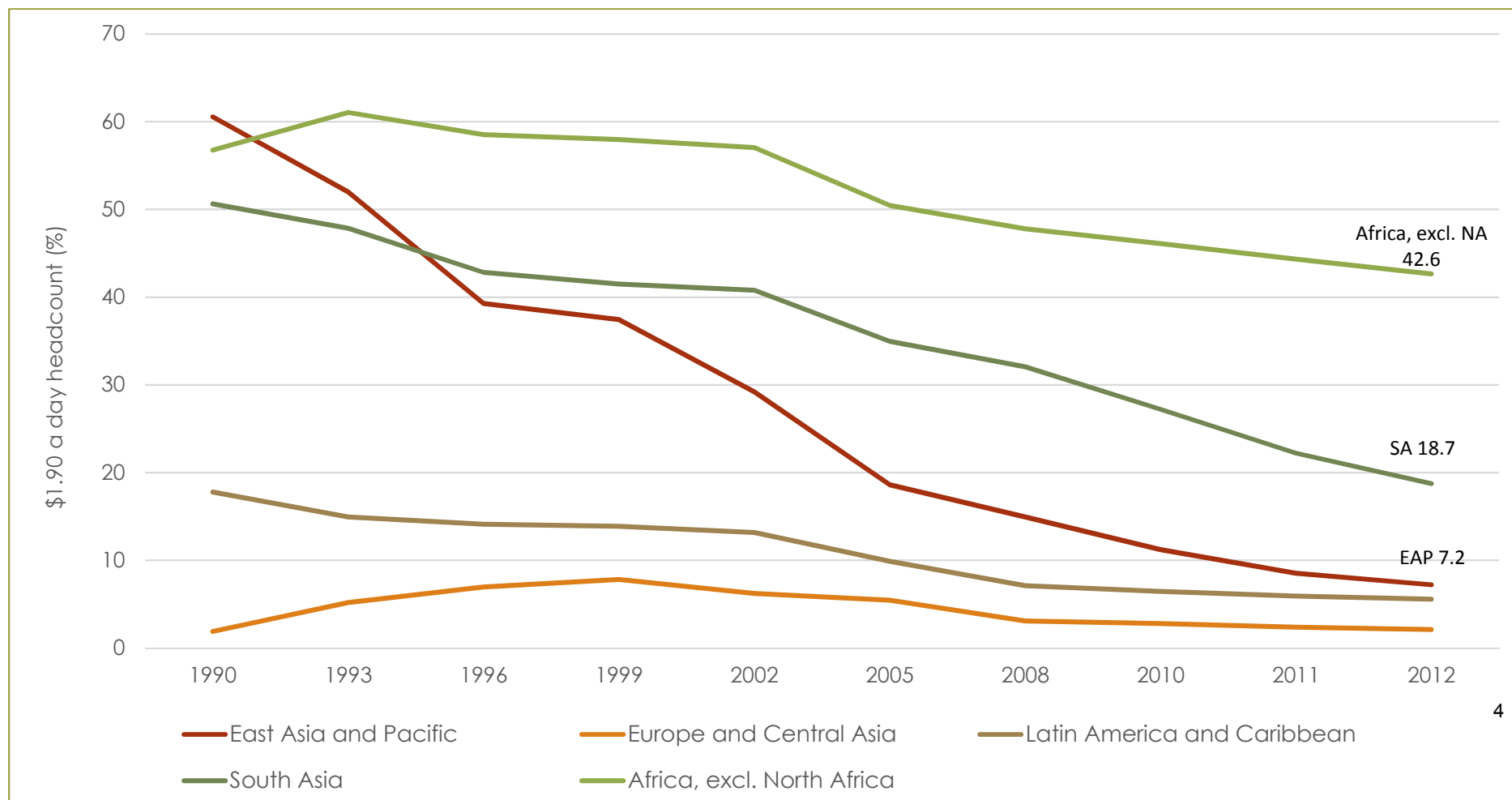
STRUCTURE OF THE PRESENTATION

Five key points:

1. Poverty has declined slowly in Africa
2. Proximate causes for the slow decline in poverty reduction include:
 - High depth of poverty
 - High population growth rates
 - Sectoral distribution of growth
 - High initial inequality
3. Africa also has high levels of informality – esp. among youth and women
4. What is the causal link between informality and inequality?
5. What can be done to reduce poverty and inequality in Africa?



1. Africa's growth has reduced poverty, but much more slowly than in other regions



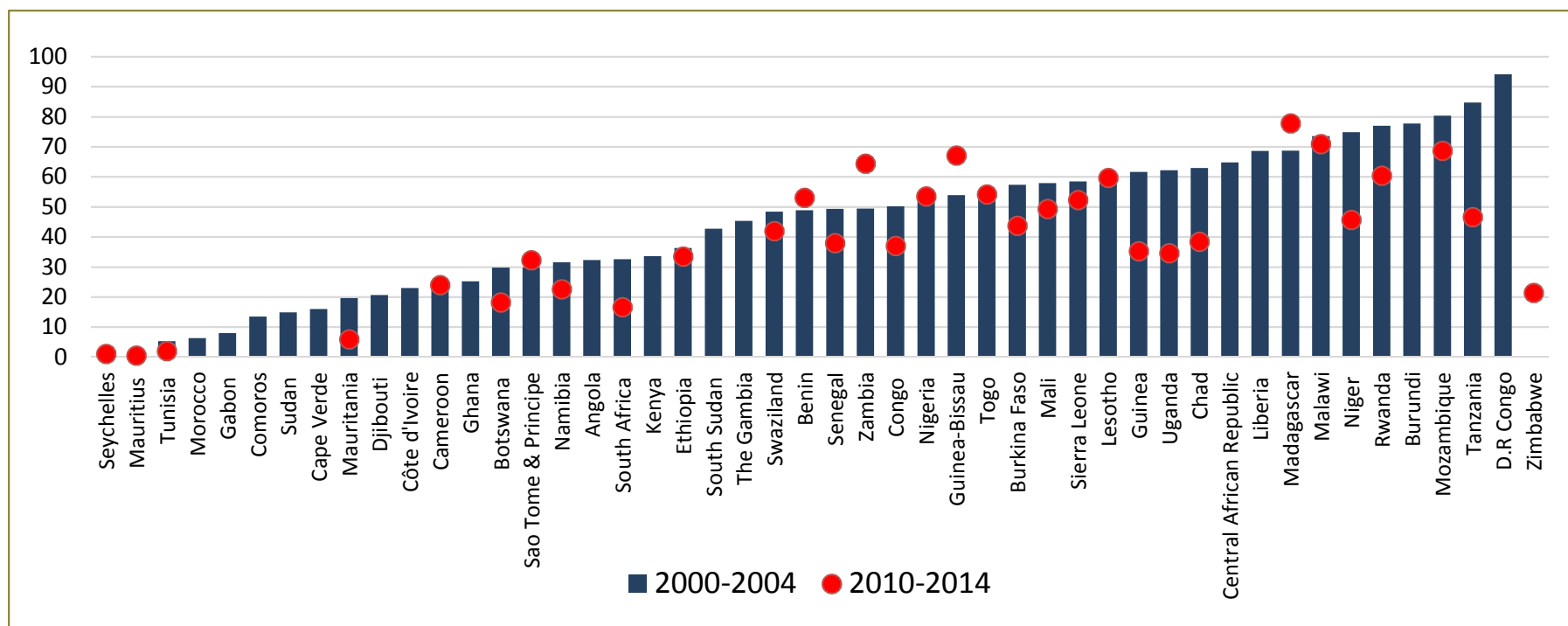
Source: POVCALNET, World Bank



United Nations
Economic Commission for Africa



Poverty headcount ratio at \$1.90 a day (2011 PPP) (% of population)





Even though poverty headcount ratio has declined by more than a quarter since 2002

the number of poor people is almost unchanged, and more than half the world's poor people in 2013 are in Africa.

	1990	1993	1996	1999	2002	2005	2008	2011	2013
East Asia and Pacific	966	877	684	669	535	349	288	167	71
Europe and Central Asia	19	32	36	38	29	24	15	13	11
Latin America and the Caribbean	71	68	71	72	71	56	42	36	34
Middle East and North Africa	14	14	12	10	N.A.	9	7	N.A.	N.A.
South Asia	505	541	517	N.A.	552	508	465	328	256
Africa other than North Africa	276	323	346	371	391	382	389	396	389
World total	1850	1855	1666	1693	1588	1328	1206	946	767



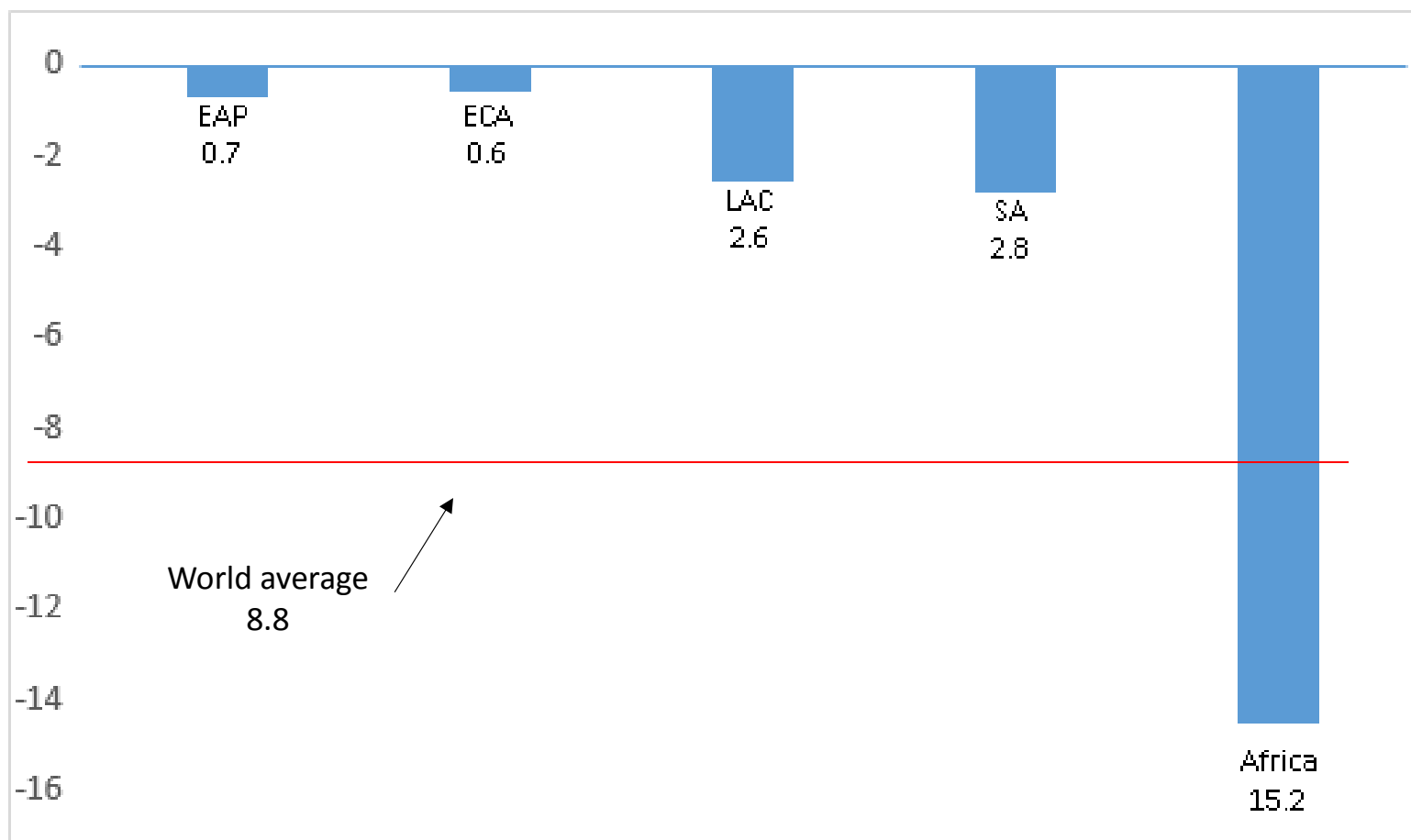


2. Proximate causes for the slow rate of poverty reduction in Africa



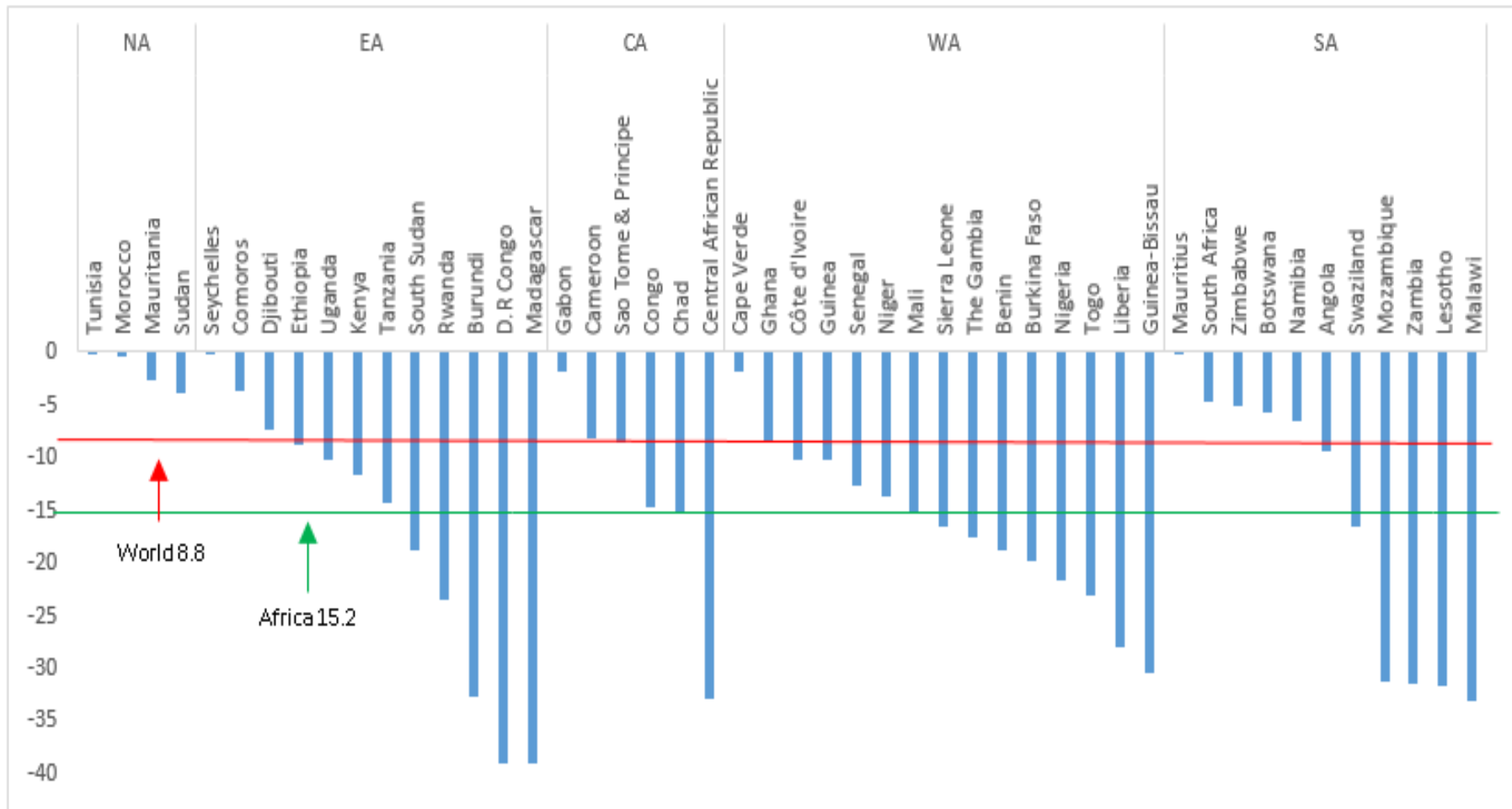


2a. The poor in Africa live much further below the extreme poverty threshold, on average





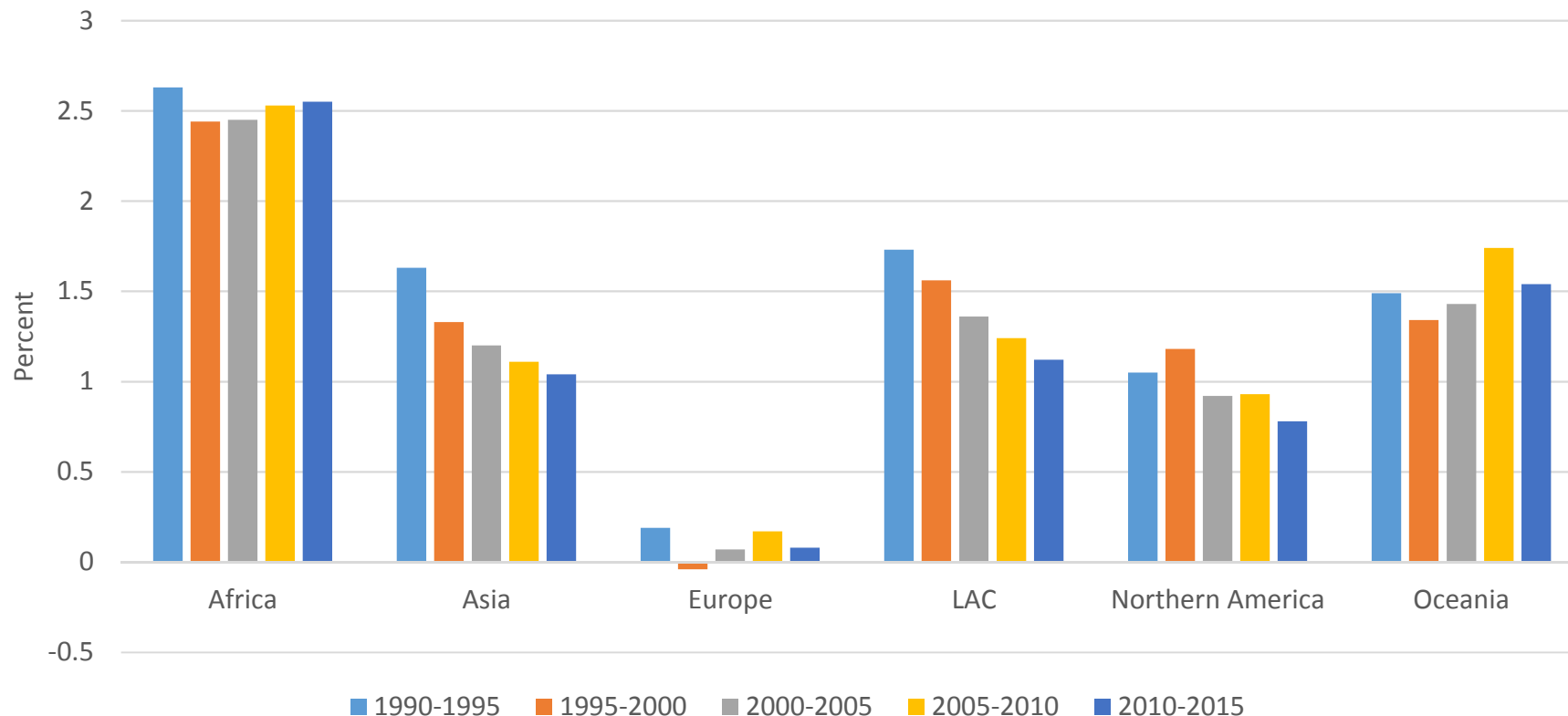
With wide variation across sub-regions





2b. Africa's demographic transition is delayed, limiting its potential to unlock the demographic dividend

Africa has the fastest rate of population growth in the world (2.6% per year)





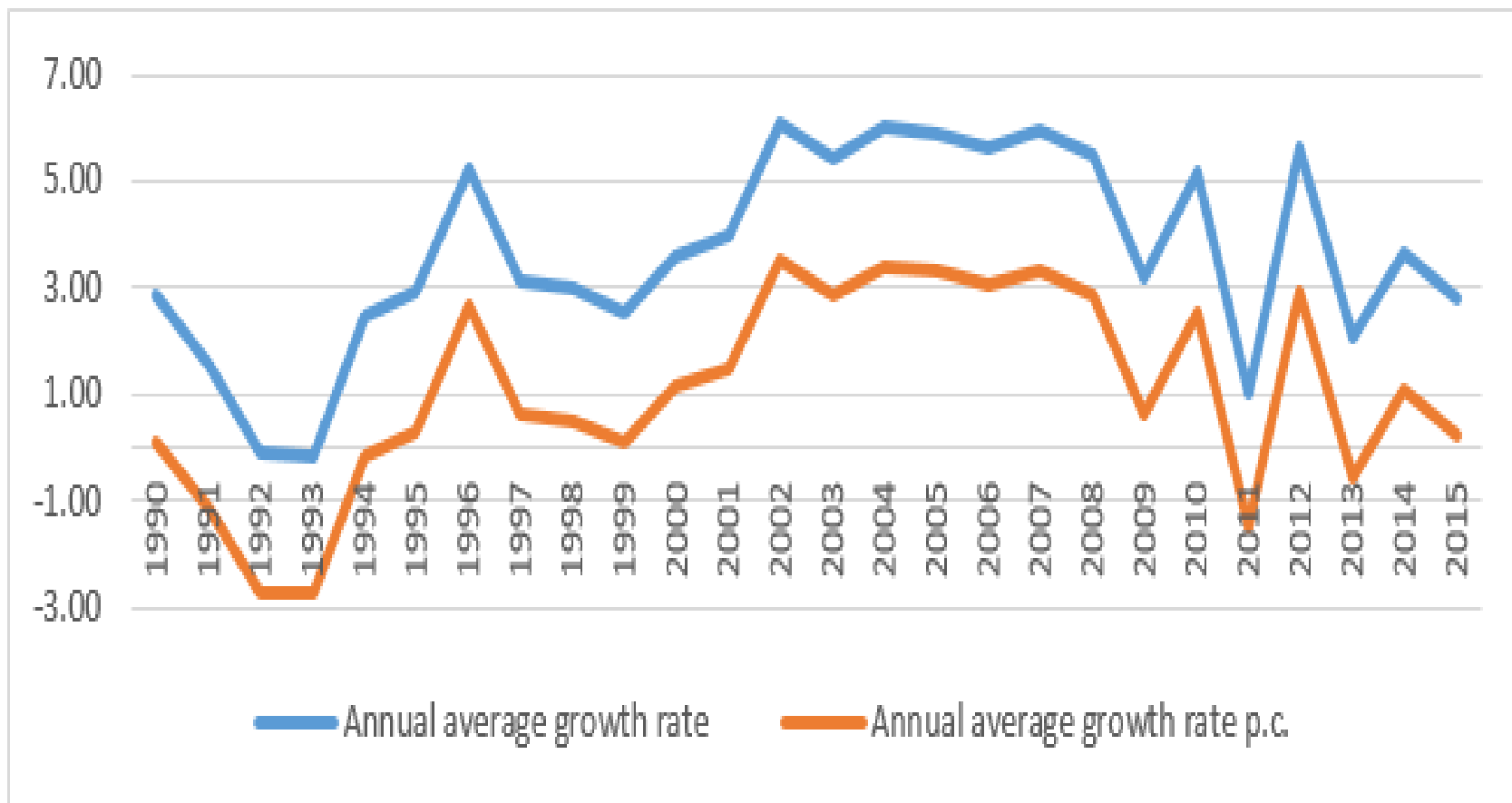
TFR is ‘stalling’ in 14 countries, esp. where fertility rates are high, with nearly half the continent’s population

Sub-region	Country	Population (mn.)	Under-five Mortality Rate – USMR (per 1,000 live births)			Total Fertility Rate (No. of births per woman)		
		2015	1990	2015	% decline (1990-2015)	1990	2014	Decline in TFR (1990-2014)
EA	DR Congo	77.3	187	98	47.6	7.1	6.0	1.1
	Somalia	10.8	180	137	23.9	7.4	6.5	0.9
	Tanzania	53.5	165	49	70.3	6.2	5.1	1.1
	Uganda	39.0	187	55	70.6	7.1	5.8	1.3
CA	Chad	14.0	215	139	35.3	7.3	6.2	1.1
	Congo	4.6	94	45	52.1	5.3	4.9	0.4
	Eq. Guinea	0.8	190	94	50.5	5.9	4.8	1.1
WA	Gambia	2.0	170	69	59.4	6.1	5.7	0.4
	Mali	17.6	254	115	54.7	7.2	6.2	1.0
	Niger	19.9	328	96	70.7	7.7	7.6	0.1
	Nigeria	182.2	213	109	48.8	6.5	5.7	0.8
SA	Angola	25.0	226	157	30.5	7.2	6.1	1.1
	Mozambique	28.0	240	79	67.1	6.2	5.4	0.8
	Zambia	16.2	191	64	66.5	6.5	5.4	1.1
	TOTAL	490.9						
	Average		203	93	53	6.7	5.8	0.9

Source: Data from the World Development Indicators



Africa's growth rate *per capita* too little to effectively reduce poverty



Source: Compiled using data from UNCTADSTAT

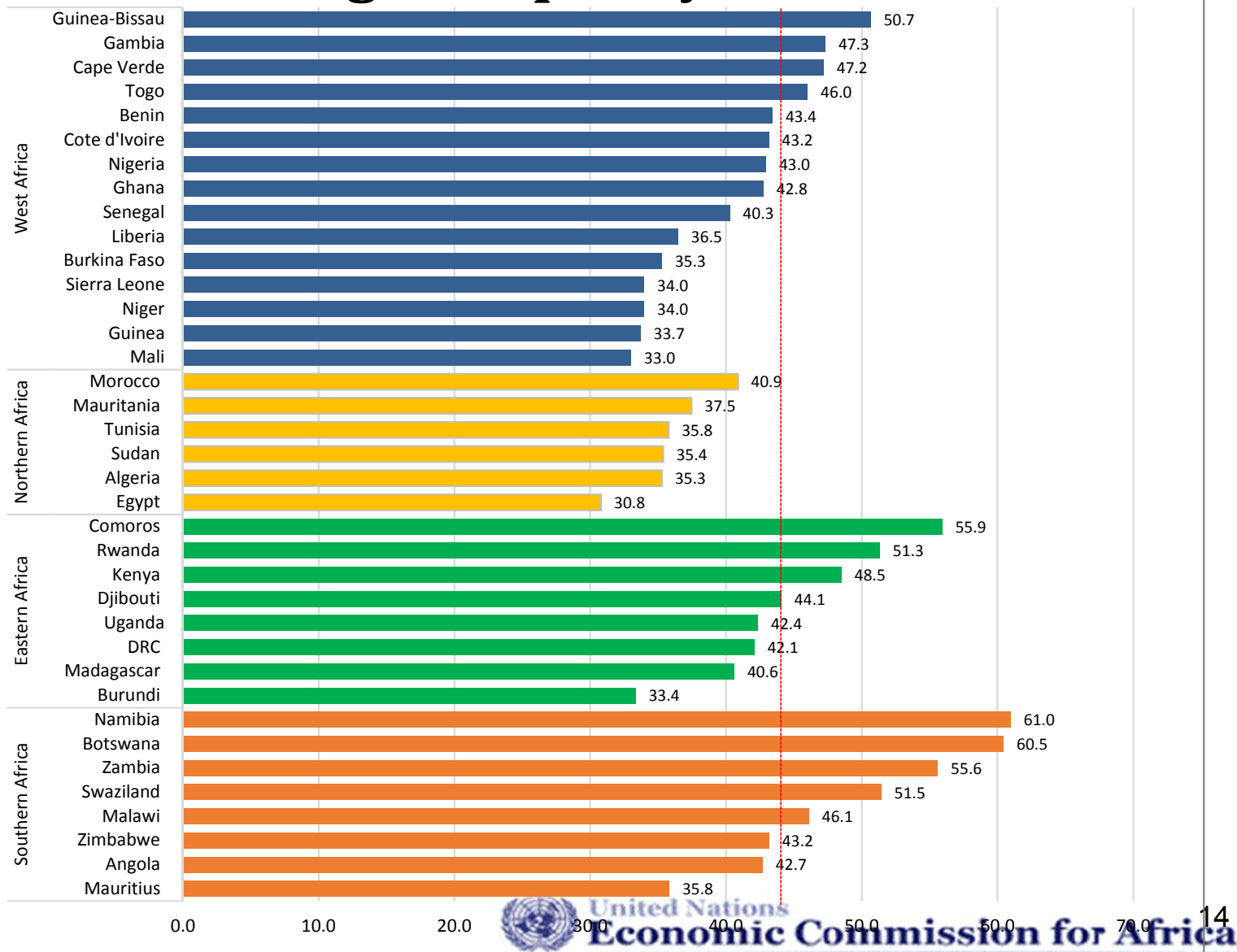


2c. Sectoral distribution of growth

- There is a mis-match between the growth sectors and employment creation in Africa which limits poverty reduction.
- In spite of decline in its share in GDP since 1990, the agricultural sector is an important contributor to GDP in Africa – 26-40%.
- ***Agricultural sector witnessed the slowest growth, though it absorbs nearly half of Africa's labour force.***
- Overall, Africa's transition out of the primary sector into tertiary sector activities has not resulted in the desired structural transformation as these activities are largely informal and with low productivity.
- Often, labour has moved from low productive agriculture to an equally low productive urban, informal sector.

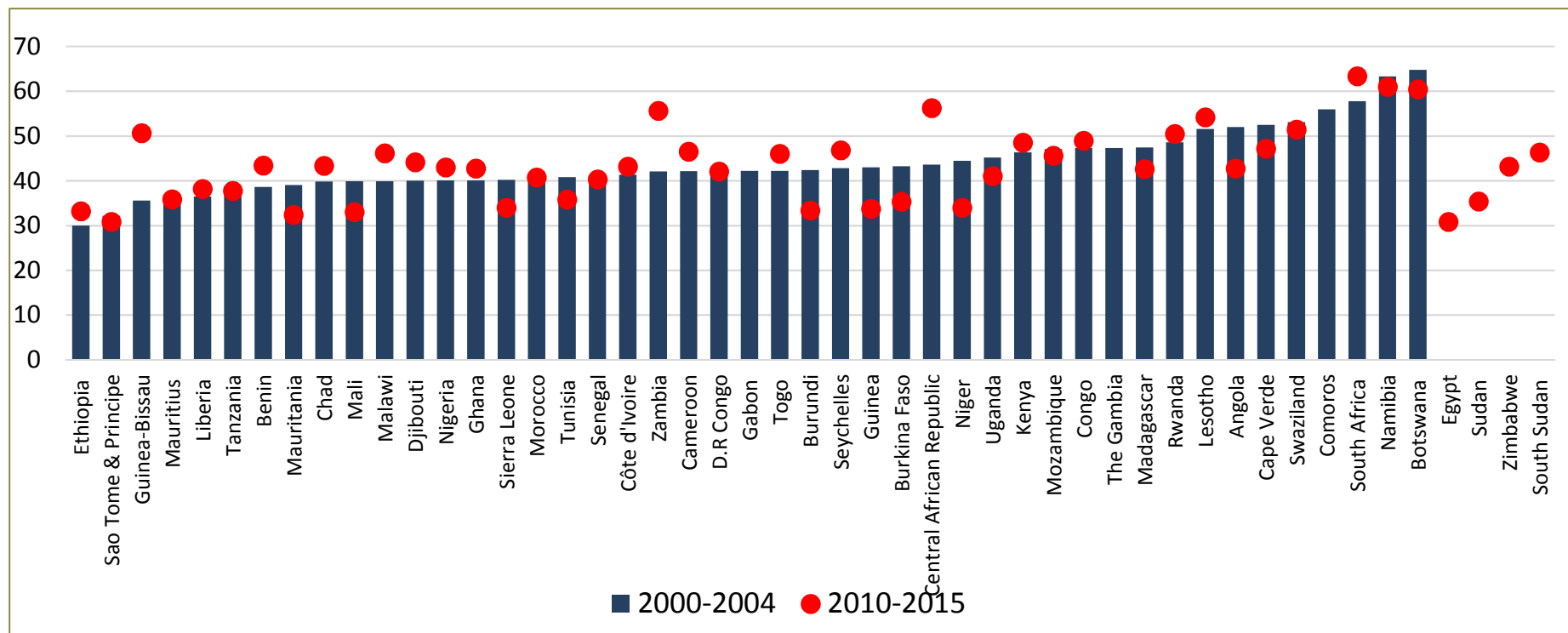


2d. High inequality in Africa





Inequality trends in Africa (Gini coefficient)





Inequality is amenable to policy

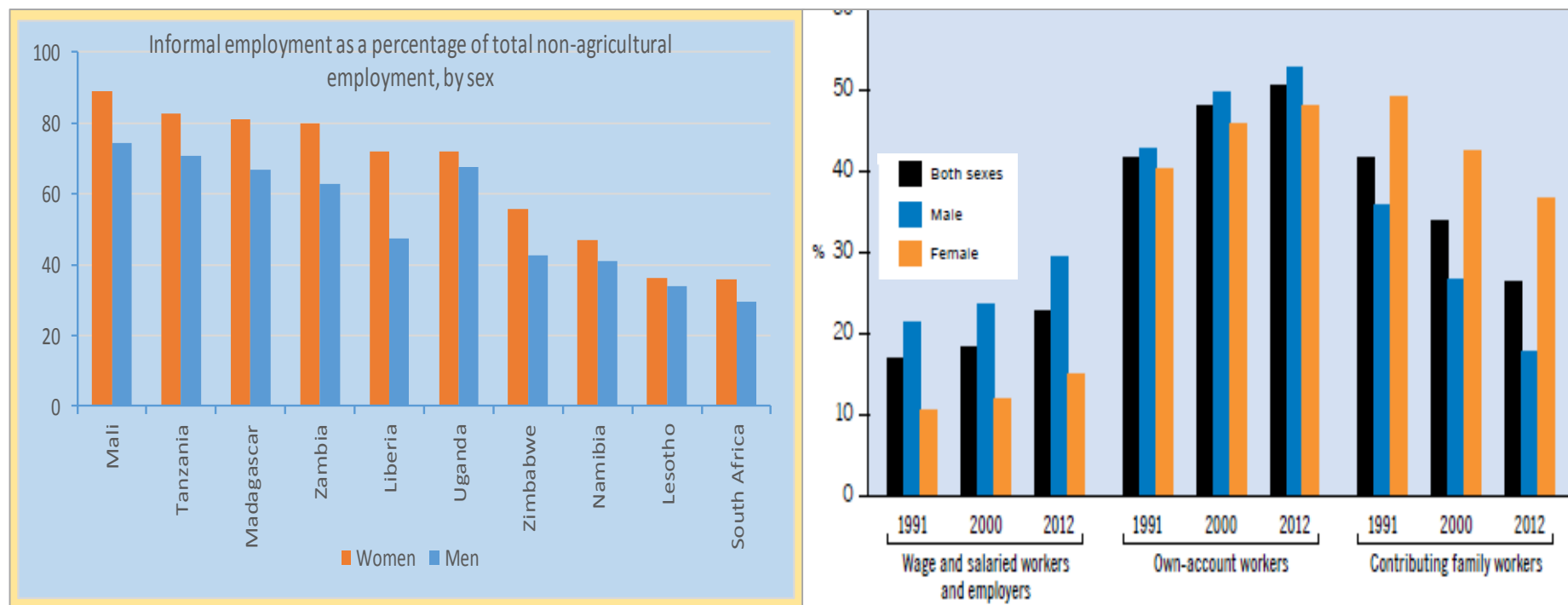
Sub-region	Inequality in 1993-2011:			
	Declined	Increased	Increased before declining	Declined but is rising now
	↘	↗	↘↗	↘↗
North Africa			Mauritania	
East Africa	Ethiopia Madagascar	Kenya Uganda	Rwanda	Tanzania
Central Africa	Cameroon			Central African Republic
West Africa	Burkina Faso Gambia Guinea Guinea-Bissau Mali Niger Senegal Sierra Leone	Cote d'Ivoire* Ghana		Nigeria
Southern Africa	Lesotho Swaziland	Botswana Mauritius South Africa	Angola Mozambique	Malawi Zambia

* Cote d'Ivoire has reduced inequality since 2011 (World Bank, 2016)

Source: Compiled using information in [Cornia \(2016\)](#)

Inequality has declined in many countries and important lessons can be learnt from their experiences

3. Informal employment is high in Africa



- **Informality contributes 55% of the GDP in Africa other than North Africa, and 60-80% of its labour force is in informal employment.**
- **Women and youth are more likely to be employed informally. Of women in the labour force, 74% are informally employed compared to 61% of men.**
- **Over the next 10 years, one in four youths will find a wage job, and only a small fraction of those jobs will be 'formal' in the modern enterprises.**



Nature of informality in Africa

Informal workers, mostly youth and women, range from

- poorly educated individuals for whom informality is the only alternative to unemployment (the 'involuntarily' informal), to the
- highly educated young urban adults who may choose to be 'voluntarily' employed in the informal sector, or run informal enterprises, to avoid cumbersome regulations or taxes.





4. Link between informality and inequality

Informality and inequality interact in a number of ways, though the link is not easy to establish given data constraints.

In the short term, informality may reduce inequality

- as those who would have otherwise remained unemployed because of low skills find jobs even if these are less productive and with low earnings.
- With low and poor quality education and limited skills, and other constraints such as limited access to credit, those involuntarily in the informal sector are stuck in an 'informality trap' with limited prospects of competing in the formal labour market.

Over time, informality may lead to increased inequality

- as formal sector wages increase with increased productivity, whereas the earnings of those in the informal sector increase far less than the average.



To summarise

- For Africa, with its young population, the absorption of a growing labour force into productive employment is fundamental to capitalize on the demographic dividend.
- Understanding the relationship between informality and inequality is critical for successful policy formulation to improve living standards and reduce poverty.
- Policy matters but one policy does not fit all. The informal sector in Africa is highly heterogeneous, and policy needs to take this into account.
 - “Involuntarily” informal – Poorly educated informal workers, mostly young people and women, for whom informality is the only alternative to unemployment.
 - “Voluntarily” informal – Highly educated young adults living in cities, choose to work in the informal sector or run informal enterprises to avoid cumbersome regulations or taxes.
- Limited education outcomes is a good predictor of an individual’s probability of being employed informally.



EDUCATION, EDUCATION, EDUCATION (especially for girls)

- In spite of improvements in educational outputs in recent years, most children in Africa leave school with low learning achievements that are inadequate to meet the requirements of the labour market.
- Of the 17 countries with comparable data over the entire school cycle,
 - 6 percent of those enrolling at the primary stage in Swaziland and 11 percent in Ghana complete the full cycle of school education.
 - In four other countries only 1-2 percent, and in the remaining countries less than 1 percent, complete the full cycle.
 - Most children dropout after the primary stage.



5. Policy Conclusions

- Accord the highest priority to increasing access to quality education and skills (across location, gender and quintiles) to increase job opportunities, reduce inequalities and promote inclusive growth.
 - Technical and vocation education has shown high rates of return, and its curriculum should be aligned with labour market requirements. Mauritius and Namibia provide good examples.
- Urgent need to improve the collection of regular, reliable and robust data for better monitoring and evidence-based policies, especially, gender-disaggregated data.

