

Creating Sustainable Employment in Africa: Leveraging on the Capacity of the Informal Sector

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Abstract

This paper throws up the challenging effect of unemployment on the sustainable existence of Africa. It reviews the contemporary measures adopted by selected African governments to solve the menace of unemployment which is assumed to breeding extreme poverty in Africa. Many of the programs instituted by these governments to reduce unemployment in Africa had been anchored on the traditional (agricultural) and modern (industrial) sectors. The paper goes on to show that many of the unemployed labour force in Africa are located and engaged in the informal sector – an emerging sector that sits in the middle of the dual economic conception of modern (industrial) and traditional (agricultural) sectors. Using a fixed effect panel regression analysis, the paper confirms the positive but insignificant relationship between poverty and unemployment in Africa, using a 10 country study. The statistical insignificance of unemployment in explaining its positive relationship with poverty is explained by the vast informal sector in these African countries. A review of the informal sector indicates that it has a very large capacity to create and destroy jobs. Since entry into the sector and exit is free and unrestricted, coupled with its labour intensive production techniques, its capacity to absorb more labour is large. However, the unsustainability of jobs in the sector, which is informed by the character of the informal sector leads to easy job destruction and makes employees in the sector not to see their engagement as employment – thus burgeoning the mass of unemployed in the continent. Arising hence, the paper proffers suggestions that could create sustainable employment in the sector, while repositioning it as an advantage to solve the unemployment and poverty problems encountered in Africa.

Keywords: Informal sector; Job creation; Job destruction; Unemployment; Inflation; Poverty

1. Introduction

Unemployment, poverty, and disease had been indicated recently as the major problems of African economies. High unemployment rates have been reported in many African countries. The biggest economy in Africa (Nigeria) is reported to have an unemployment rate of about 23.1% in 2018. Of this total employment rate in Nigeria, youth unemployment was estimated to be 55.4% and underemployment was 20.21% (NBS, 2019).

The roaring unemployment rate in Africa had recently resulted in a shrinking African economy, where aggregate demand is drastically falling, prices are very flexible upwards and sticky downwards, standards of health care and education is deteriorating as parents do not have the wherewithal to support their families; this exacerbates diseases as families cannot afford education and health care. Also, inflation has

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