

Labor Markets and Jobs in West Africa

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Abstract

The labor market in West Africa poses major challenges, both in its operation, in its characteristics, and in the indicators generally used to analyze it. Almost all of its actors are informal and the majority of jobs available are self-employment, with a fairly high level of underemployment. Informal workers are often poorly paid and generally receive wages below the poverty line. In addition, they have no social security cover or pension plan, and are often exposed to dangerous tasks.

Policy Responses to unemployment and underemployment include support for very small businesses, for example through targeted training for business start-up and consolidation, incubators and accelerators. These policies should also promote the non-skilled labor intensive sectors, such as light industry and processing of agricultural, horticultural and fishery products, through the establishment of suitable industrial parks.

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Labor Markets and Jobs in West Africa

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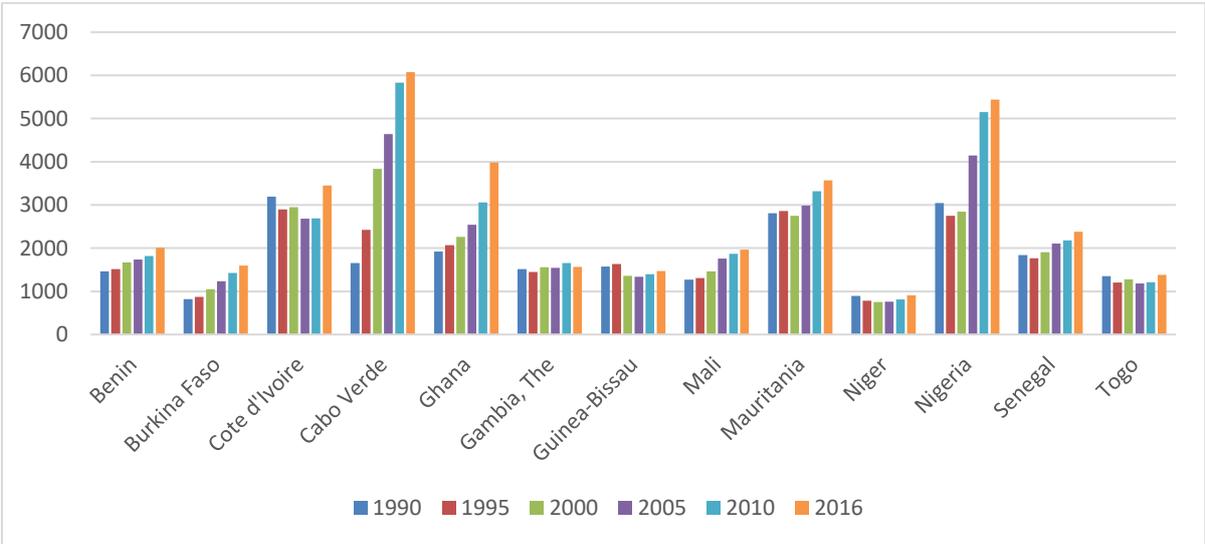
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1. Introduction

The 1980s and 1990s were characterized as lost decades for Africa. But the 2000s and 2010s saw Africa enjoying economic growth higher than many other developing parts of the world. West Africa was no exception, with some countries nearing double-digit growth— Côte d’Ivoire and Mauritania stood out—though the region’s average performance was lower than the rest of Africa’s. Per capita income in West Africa increased dramatically, with notable exceptions (Figure 1).

Figure 1 GDP per capita, 1990-2016



Source : WDI, 2017

However, this growth, universally recognized and abundantly documented, ran into a remarkable paradox: poverty did not fall much in Africa or in West Africa. And acute unemployment and precarity still affected the largest and most vulnerable population segments—young people, women, and rural populations.

Poverty declined everywhere, except in few countries such as Guinea-Bissau and Côte d’Ivoire. But the decline’s size, whether measured by the international \$1.90 a day standard or by national poverty lines, was much smaller than would be expected from the increase in per capita income.

Africa performed poorly in creating decent employment. Factors lie on both the supply and the demand side.⁸ On the supply side, a booming population driven by the highest fertility rates in the world led to exponential growth in the working-age population. And job seekers, especially younger ones, faced serious obstacles to their employability in most countries due to

limited training. On the demand side, economic growth in Africa is driven by commodities—agriculture, oil, and mining—whose carry-over to the rest of the economy is small. The productivity of agriculture remains low, and the mining and mineral industries are inherently capital intensive, employ little local labor, and leave behind only a marginal share of the revenues generated. The growth of other formal activities is deterred by an unfriendly business environment with high unit costs and a heavy-handed, often corrupt bureaucracy.⁹

2. Labor force participation, unemployment, and vulnerability in West Africa

Africa's share of the world's population, about 14 percent in 2007, will increase to 26 percent by 2050, according to World Population Prospects. While world population growth is slowing, currently to about 1 percent a year, Sub-Saharan Africa's is 2.5 percent.¹⁰ The continent will be the reservoir of the world's workforce by 2050, it is commonly thought.

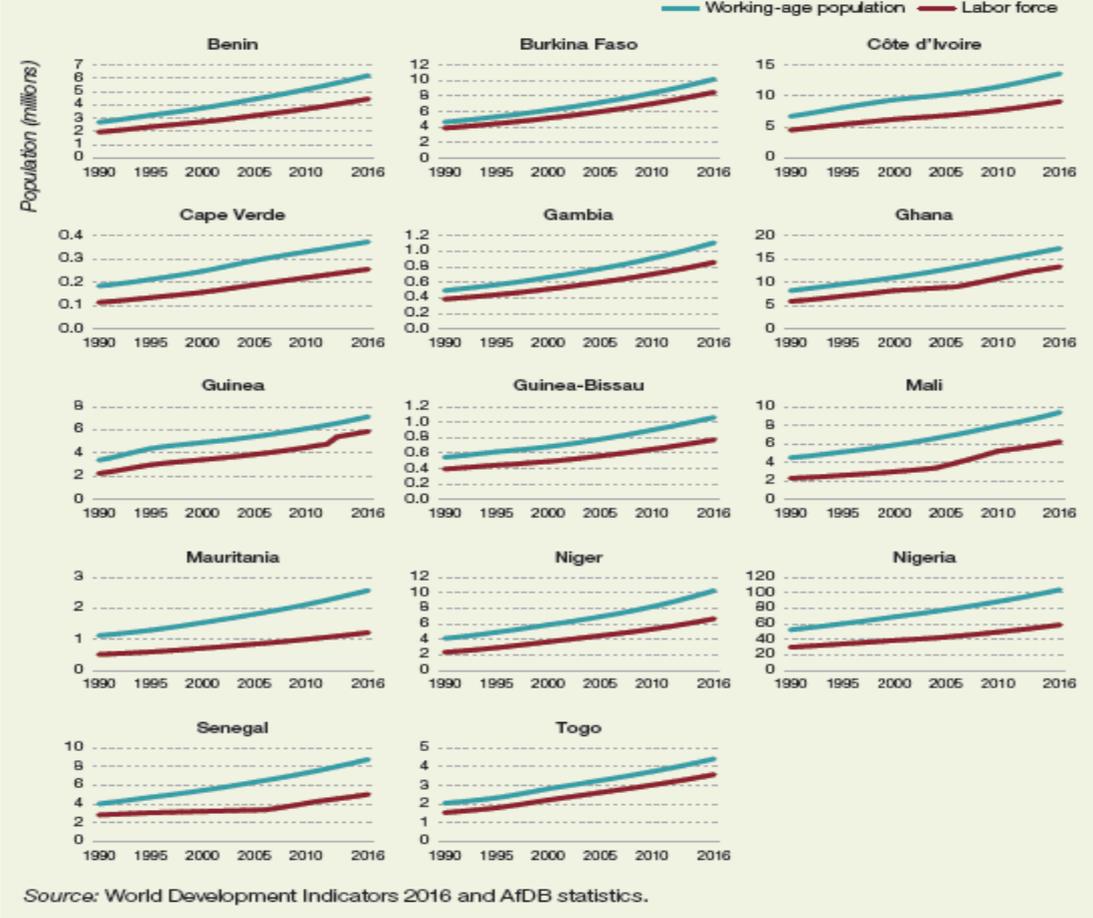
Within Africa, West Africa has some of the highest population growth—5 of the 16 countries in West Africa had annual growth of 2–3 percent between 2000 and 2005, with average growth edging down to 2.7 percent between 2011 and 2016. Exponential growth is projected. But the region has disparities, with lower growth in countries such as Cape Verde.

Labor force participation and inactivity

The working-age population is trending upward, but the level of labor force participation appears to be static.

In West Africa, the working-age population is trending upward, but the level of labor force participation appears to be static (Figure 2). The gap between the two—the inactive population—is widening. West African labor force participation rates are high compared with the Sub-Saharan African average. For example, Burkina Faso's rate was estimated at 83 percent in 2016, and the Sub-Saharan African average at only 70 percent. But West African rates have stalled (as have Sub-Saharan Africa's), even falling slightly for some countries—for example, Benin's rate went from 72.4 percent in 2000 to 71.7 percent in 2016.

Figure 2: Working-age population and labor force participation in West African countries, 1990-2014



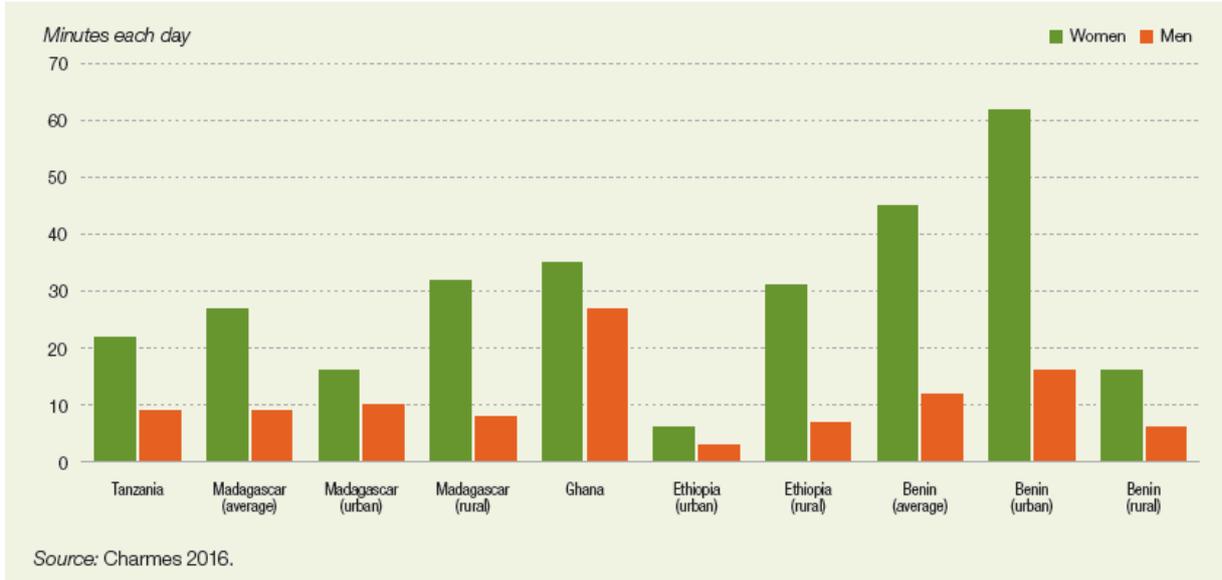
Source: World Development Indicators 2016 and (African Development Bank) AfDB statistics.

West African labor force participation rates are high compared with the Sub-Saharan African average.

The reasons for static and declining labor force participation rates are multiple. They include ambiguities in defining two key terms—participation and unemployment (box 1). Evolving sociodemographic categories also contribute. Students constitute an important part of the inactive population. So do discouraged people no longer looking for a job. And so do people doing domestic work such as caregiving—among whom women are overrepresented. These groups’ growth contributes to the inactive population and detracts from the labor force participation rate.

Women’s labor force participation rate is much lower than men’s. The women’s rate was only 64.2 percent for Sub-Saharan Africa in 2016, while the men’s rate was 76.2 percent. Women’s greater participation in noneconomic activities is the most plausible explanation (see box 1). Women perform more unpaid activities than men in the most vulnerable segments of employment. They carry out domestic tasks that are not counted as productive activities in the sense of national income accounts.¹¹ For example, although collecting water and fuelwood are considered picking activities in the sense of national accounts and should be included in gross domestic product (GDP) and in employment statistics, in practice, very few surveys treat them as such, and many treat them as unproductive activities.¹² Both are time-consuming tasks mostly performed by women. In Ghana, women spent almost four times more time collecting water than men (Figure 3).

Figure 3: Time spent collecting water by men and women



Collecting fuelwood is the same—in Benin, women spent more than two times more time than men searching for fuelwood, and in Ethiopia, more than four times (Figure 4).

Figure 4: Time spent collecting fuelwood by women and men

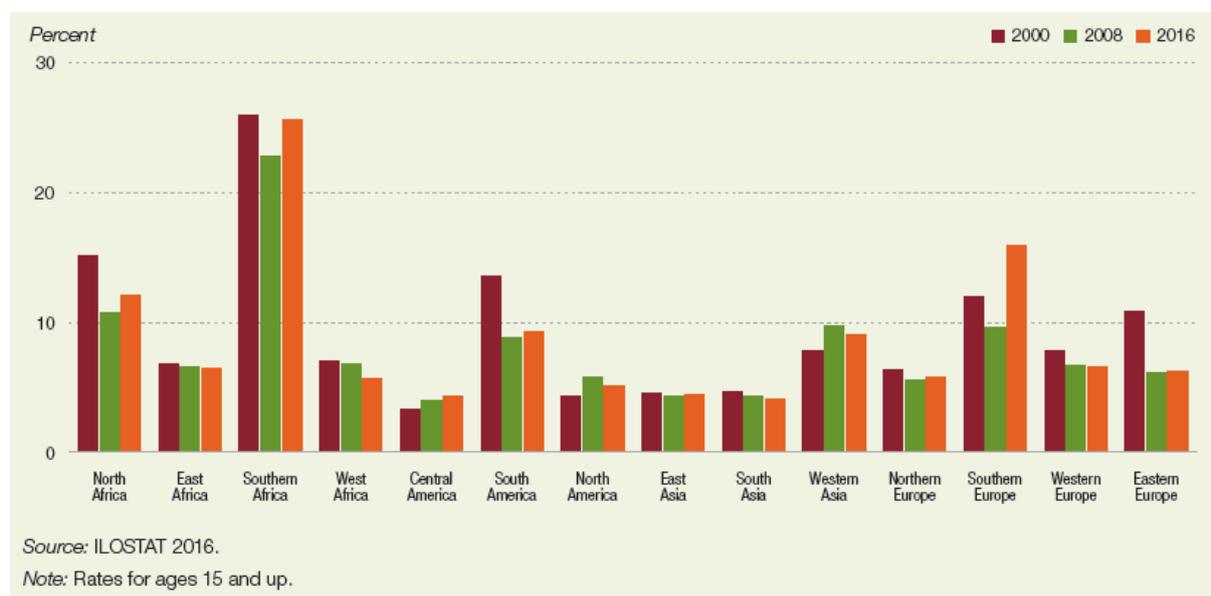


Employment, unemployment, and vulnerability

Youth have lower employment rates than adults by around 20 percentage points.

Unemployment in Africa, at first glance, is no more catastrophic than elsewhere. Rates are more moderate than in many other parts of the world (Figure 5). The official unemployment rate, calculated using the ILO method, is very low in Africa. For example, in Benin the unemployment rate was only 1.7 percent in 2017 and never above 2.2 percent between 2000 and 2017. In Burkina Faso, unemployment was never above 5.0 percent in that period. In other countries, it was between 10 percent and 15 percent. This is not peculiar to Africa. There are often notable differences in unemployment rates between high-income and low-income countries, and many times the poorer ones have lower rates. Youth unemployment in middle-income countries is 6.5 percentage points higher than in low-income countries. That is partly an income effect: when slightly better-off young people judge the labor market too informal, they prefer to give up employment (perhaps to go back to school), but poorer youths have no choice but to work.¹³ Also, the unemployment rate can vary by a factor of up to two depending on whether unemployment is more loosely defined (accommodating the difficulty in most developing countries of singling out individuals actively looking for a job) or strictly defined (excluding those not actively looking for a job).

Figure 5: Unemployment rates, world regions, 2000-16



The differences in unemployment rates among West African countries reflect the ways statistics are collected in individual countries more than different economic structures or labor markets (see box 1). The low-quality jobs straddling the border-line between employment and unemployment or the borderline between labor force participation and inactivity warrant particular attention in interpreting unemployment rates. It is now accepted that, taken alone, the unemployment rate is not an appropriate indicator of labor market performance. Summing the unemployment rate and the underemployment rate may more realistically depict African workers' status.¹⁴ The sum is well above 50 percent in most West African countries.

BOX 1 Official employment statistics: Use them with caution

In Africa, as elsewhere, the strategies for collecting employment data are largely derived from the ILO definitions of work and participation rate. As a result, the boundaries between activity and inactivity and between employment and unemployment are indistinct. This not only affects the geographic comparability of data, but also poses real challenges in targeting employment policies.

The ILO's definition of employment comes from the resolution of the 13th International Conference of Labor Statisticians (ICLS) in 1982, whose scope was extended by Resolution No. 1 of the 19th ICLS in 2013. This last resolution restricts work to the same limits as the production of goods and services in the sense of national accounts, that is, activities whose product can be subject to monetary valuation. In this approach, there are two types of employment: wage employment and non-wage employment. Wage employment refers to all those who, in a reference period (one hour in a given week) worked for payment in kind or in cash. It also includes those who have done paid work but were absent (due to illness or otherwise) during the reference period with the guarantee of resuming work upon return. Non-wage employment includes employers, self-employed persons, and members of producer cooperatives. It also includes family workers, persons producing goods or services for their own or their household's consumption, and apprentices who received payment in kind or in cash. By contrast, unpaid workers are domestic workers, caregivers, voluntary workers, and so on. Work, therefore, relates to a fairly broad spectrum of paid and unpaid activities that workers perform for themselves or for others.

Labor force participants include working people (people ages 15 and over) and the unemployed. Among the unemployed are people who fulfill three conditions simultaneously:

- They have neither paid nor unpaid work.
- They are available to work in the reference period.
- They are actively looking for paid employment.

A further qualification: "In situations where conventional means of job search are inappropriate,

where the labor market is largely unorganized or of limited scope, where the absorption of supply is, at the moment considered, insufficient, where the proportion of unpaid labor is large, the standard definition of unemployment given in subparagraph [(c) above] can be applied by waiving the job search criterion."

So, the employed are all those engaged in economic activity in the sense of the national accounts. However, in calculating unemployment, countries apply the ILO criteria differently.

Women's work is often confused with domestic work and excluded from measurements of productive activity. Some domestic activities related to caring for children or the elderly are not counted as production activities, and the persons who exercise them should not be counted as part of the labor force. So, in rural African societies, where women mainly perform the tasks of caregivers while men are engaged in productive activities, women's participation rate is much lower than men's.

Women's exclusion from labor force participation data gets widened further. Although collecting water and fuelwood, done predominantly by women, are considered product extractions from nature and therefore productive activities, many national accounts do not count them in GDP because of measurement difficulties. Much of women's agricultural work is not counted in GDP, particularly in Africa, South Asia, and the Middle East.¹ This is one of the most important determinants of the observed differential in women's and men's labor market participation rates.

So, in developing countries, "In the case of activities carried out by women, the delineation between what is considered to be part of the sphere of economic activity and what is not part of it can sometimes prove to be tenuous,"² and their treatment by national statistical services vary from one country to another. Even in developed countries, the ILO approach is not strictly observed.

In France, for example, Gonzalez-Demichel and Nauze-Fichet found a gap of more than one million between the labor force count obtained by strictly applying the ILO approach and the count obtained from spontaneous reporting (sometimes used by national statistics institutes for people who consider themselves active but would be classified as inactive by the ILO approach, or vice versa). And the European Statistical Office opts for a restrictive notion of productive activity.

For youth employment, the category of NEET individuals—not in education, employment, or training—weakens the distinction between participation and inactivity. Most NEET individuals have stopped looking for a job because they are desperate, do not know where to go, feel too young, or have no sense of where there is work. They are automatically excluded from the labor force because they are no longer actively looking for a job. In another category are young people looking for a job but unable to find work. This makes youth a heterogeneous group that includes active and inactive people. Finally, when young people (ages 15 to 24) participating in the labor force return to school, they lower the unemployment rate without necessarily lowering the number of jobs. Conversely, many young employees who worked only a few days that fell into a survey's reference period get counted as employed.

A closer look at the boundaries of activity and employment leads to a more nuanced interpretation of employment indicators in Africa. More important, it supports employment policies targeting inactive people such as the discouraged, those not properly counted, and part of the NEET, when designing actions to create or consolidate jobs.

Notes

1. Charmes and Remaoun 2014.
2. LeGoff 2013.

Similarly, the ILO proposes summing the proportion of irregular workers to the unemployment rate to find the proportion of vulnerable employment among African workers.¹⁵ Irregular workers include self-employed workers, family workers, seasonal or task workers, and temporary workers. Many young irregular workers in national surveys consider themselves unemployed, even though official statistics count them as employed. The share of vulnerable employment fell slightly in Cape Verde after the 1990s but even less in other West African countries, despite GDP growth (Figure 6).

Figure 6: Vulnerable jobs in West Africa, 2000-2016



The combined share of vulnerable jobs and unemployed in the labor force peaked at around 90 percent in Benin and Niger in 2016; lay between 70 percent and 90 percent in Côte d’Ivoire, Gambia, Ghana, Mali, Senegal, and Togo; and was much smaller in other countries (Table 1). In Cape Verde, it was around 45 percent. Gambia’s combination was unusual—its unemployment rate was high, around 30 percent, but its share of vulnerable population in the labor force was moderate, around 50 percent.

TABLE 1 Sum of unemployed and vulnerable jobs in West Africa, 2000–16 (percent of the labor force)

Country	2000	2003	2006	2009	2012	2016
Benin	88.6	88.4	90.5	90.1	90.0	89.3
Burkina Faso	88.3	85.1	83.9	81.7	79.1	75.1
Cape Verde	53.8	52.7	50.2	47.6	46.3	45.4
Côte d'Ivoire	80.7	80.4	81.9	82.0	81.3	78.6
Gambia	79.4	79.5	79.5	78.9	79.2	79.1
Ghana	79.1	77.2	75.9	78.0	72.1	70.9
Guinea	67.3	66.4	66.2	65.8	66.2	66.3
Guinea-Bissau	63.3	63.9	63.2	62.6	61.9	61.3
Mali	89.4	87.5	88.2	86.9	85.8	85.3
Mauritania	56.9	53.9	53.3	52.3	50.9	48.9
Niger	93.4	93.1	92.9	93.0	92.8	92.4
Nigeria	51.4	50.3	46.1	44.6	43.4	42.0
Senegal	78.7	74.8	74.5	73.4	73.4	71.5
Togo	89.2	89.3	89.2	89.1	87.6	85.9

Source: ILOSTAT 2016 and AfDB statistics.

Note: Vulnerable jobs are self-employed workers and contributing family workers.

Underemployment is another indicator of the poor quality of most jobs in Africa. It is defined by two features: work hours and labor productivity. Inadequate work hours—the hours worked are fewer than standard and fewer than the worker would like—create visible underemployment. Inadequate labor productivity—the work performed does not match the worker’s qualifications or offer the income the worker could expect—creates invisible underemployment.¹⁶ The types of under-employment are not mutually exclusive: a worker can be underemployed in terms of work hours, qualifications, and income.

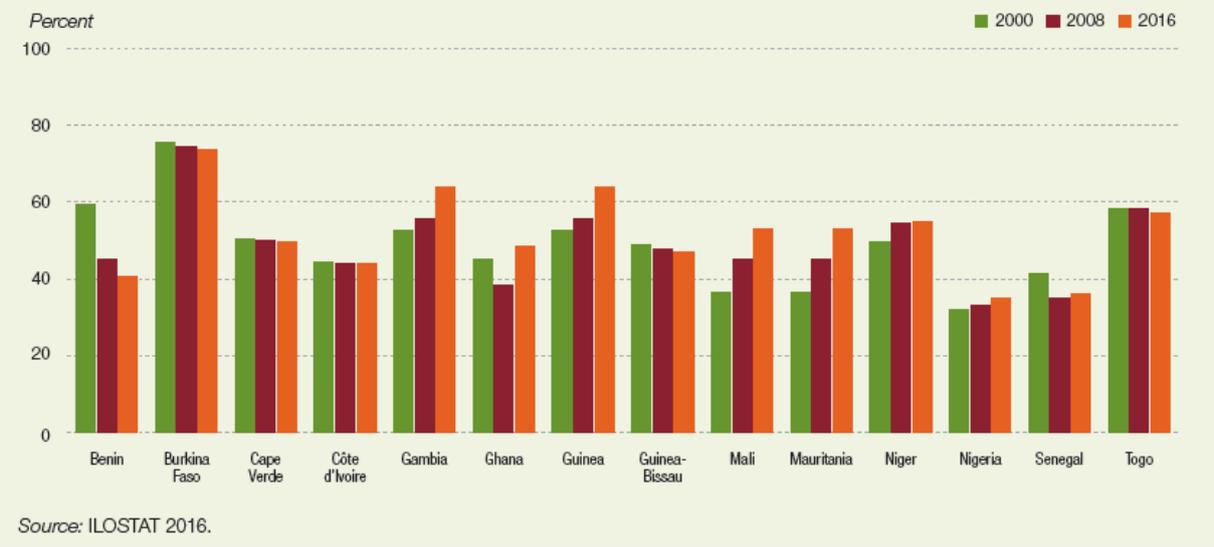
In West Africa, underemployment is more invisible than visible. In fact, work hours for precarious workers—those in nonstandard employment that is poorly paid, insecure, unprotected, and cannot support a household—often far exceed labor code standards. And their pay is very low compared with pay in the formal sector.

The most vulnerable groups: Youth, women, and people living in rural areas

While the employment situation in Africa is very difficult overall, it is even more challenging for three vulnerable groups: youth employment (ages 15–24) is becoming a priority political issue (Figure 7).¹⁷ The region has the fastest youth population growth in Africa, projected to

grow even further in the next few years. Niger, with the highest population growth in the world, is experiencing even stronger youth population growth.

Figure 7: Share of youth in total employment, 2000-16



Youth have lower employment rates than adults by around 20 percentage points, depending on the country. And the youth unemployment rate may fall without a corresponding rise in employment because it excludes discouraged youth who have left the labor market for studies. The youth unemployment rate also misses those ages 15 to 24 who are not in education, employment, or training (NEET) (Tables 2 and 3). The share of NEET in total number of youth, averaging around 15 percent in general, peaks at 30 percent in West Africa, exceeding by far that in developed and middle-income countries.¹⁸ The NEET phenomenon affects rural populations more than urban population. In Senegal, for example, the NEET proportion of youth exceeds 50 percent in rural areas compared with around 35 percent in urban areas. The phenomenon also affects women more than men—in Senegal, 60 percent of women compared with 24 percent of men.

TABLE 2 People ages 15–24 not in education, employment, or training (*NEET*) as a proportion of total youth by sex in West African countries, 2005 and 2010 (percent)

Country	2005			2010		
	Total	Male	Female	Total	Male	Female
Benin	8.8	7.1	10.3	3.9	2.9	5.1
Burkina Faso	9.7	4.5	14.3	17.2	11.0	22.3
Senegal	43.2	23.8	60.1	na	na	na
Guinea-Bissau	20.0	23.0	18.0	na	na	na
Cameroon	10.1	6.4	13.5	10.8	4.7	16.0

Source: ILO database 2012 and Key Indicators of the Labour Market 2015, eighth edition.
na is not available.

TABLE 3 People ages 15–24 not in education, employment, or training (*NEET*) as a proportion of total youth by locale in West African countries, 2005 and 2010 (percent)

Country	2005		2010	
	Urban	Rural	Urban	Rural
Benin	11.8	6.4	4.7	3.3
Burkina Faso	25.9	5.1	18.8	16.8
Senegal	35.1	50.5	na	na
Guinea-Bissau	na	na	17.0	23.0
Cameroon	15.3	6.2	14.5	7.6

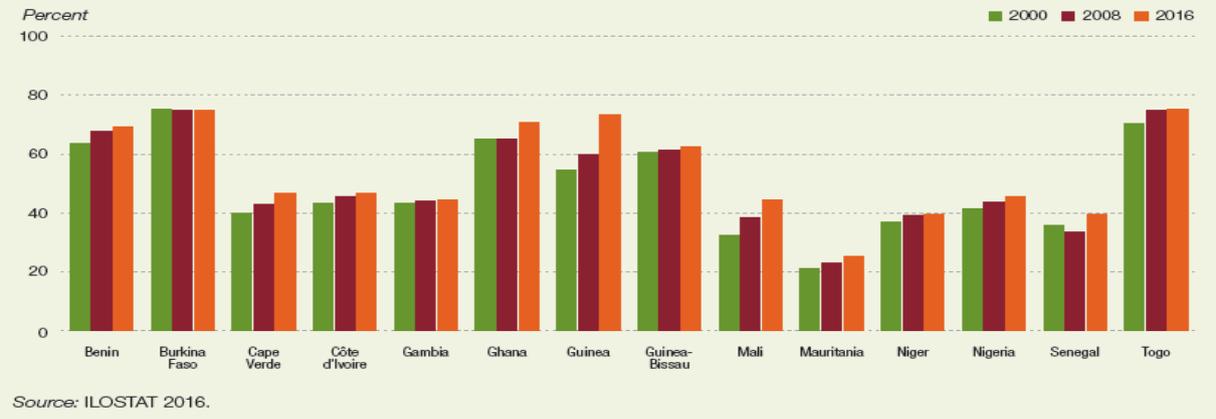
Source: ILO database 2012 and Key Indicators of the Labour Market 2015, eighth edition.
na is not available.

Women represent a smaller share in the labor force than in employment in Africa (for reasons discussed earlier—see box 1). They are almost always disadvantaged in the labor market. In some countries, the share of women in any kind of employment is around 40 percent, while in youth, women, and people living in rural areas. In West Africa, where the youth population is increasing day by day, youth employment (ages 15–24) is becoming a priority political issue (Figure 7).¹⁷ The region has the fastest youth population growth in Africa, projected to grow even further in the next few years. Niger, with the highest population growth in the world, is experiencing even stronger youth population growth.

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market. In some countries, the share of women in any kind of employment is around 40 percent, while in others such as Benin, Togo, and Guinea; it is above 50 percent (Figure 8).

Figure 8: Share of women in total employment, 2000-2016



But the proportion of women in total paid employment is very low in most countries. Conversely, the proportion of women in vulnerable employment is high (Table 4). In most cases in West Africa, women constitute over 70 percent of the population in vulnerable employment. Auspiciously, however, that percentage fell in the past decade. It fell the most in Cape Verde and in Mauritania. Underemployment shows the precariousness of female jobs. Whether visible or invisible, underemployment affects women more than men.

TABLE 4 Women’s share of the population in vulnerable employment, 2000–16 (percent)

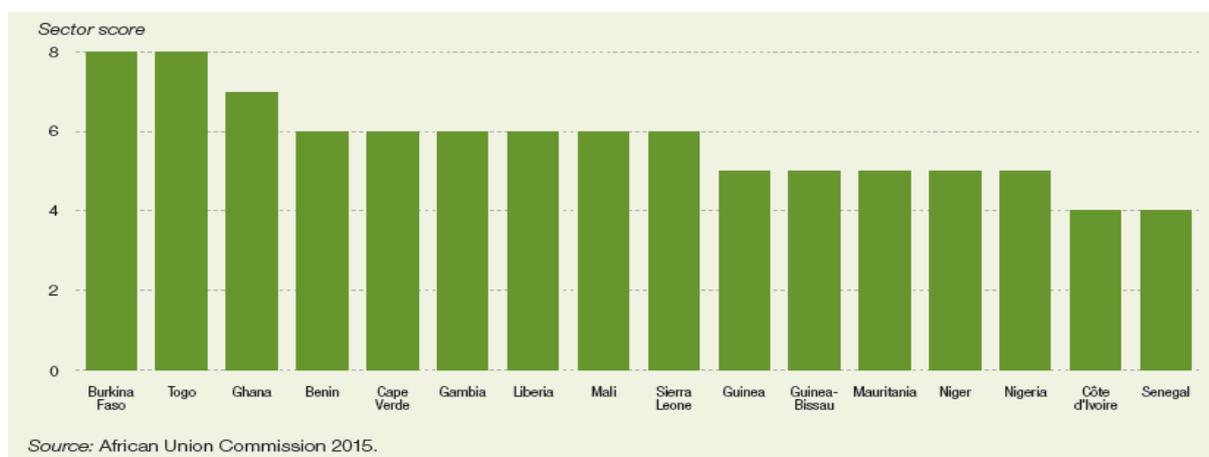
	2000	2008	2016
Benin	95.4	95.3	94.4
Burkina Faso	96.9	95.5	95.4
Cape Verde	56.1	45.8	42.5
Côte d'Ivoire	91.4	91.8	88.3
Gambia	81.1	82.2	80.2
Ghana	88.9	84.9	79.4
Guinea	74.1	74.4	72.5
Guinea-Bissau	72.5	73.6	71.0
Mali	94.0	92.2	91.4
Mauritania	59.2	55.0	49.1
Niger	96.6	96.2	95.9
Nigeria	60.4	50.7	48.1
Senegal	84.7	82.5	79.9
Togo	94.0	93.9	92.7

Source: ILOSTAT 2016 and AfDB statistics.

Note: Vulnerable jobs are self-employed workers and contributing family workers.

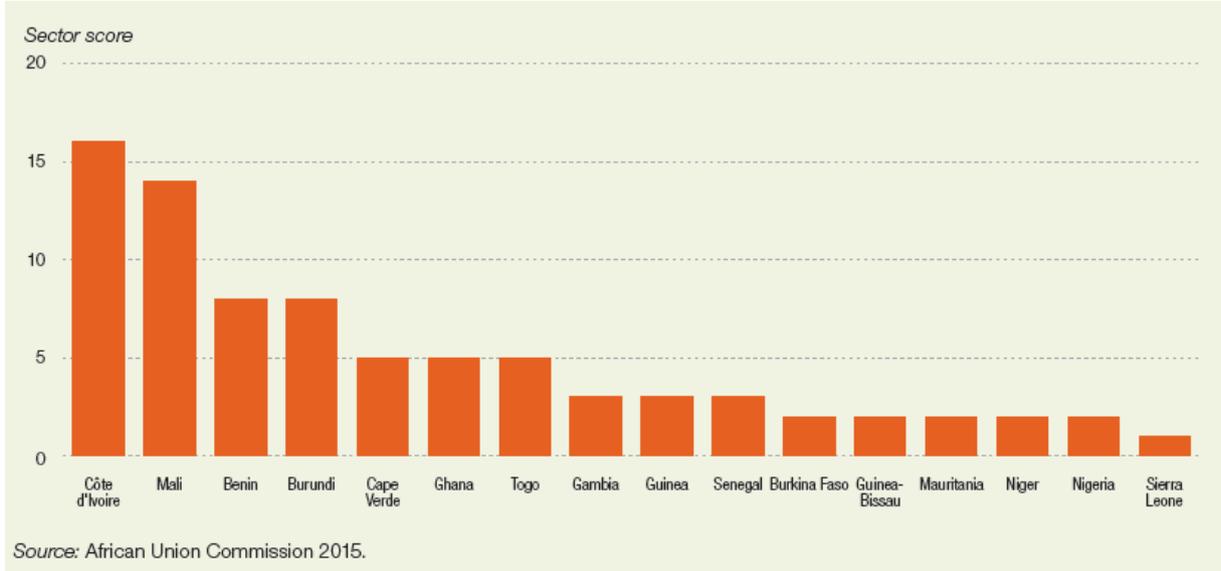
Gender inequality in income is high. Togo and Burkina Faso are the only West African countries to score 8 out of 10 on the African Union Commission’s earnings parity index, along with six other countries in Africa. In West Africa, as elsewhere in Africa, there is a long way to go to achieve gender equality (Figure 9).

Figure 9: Gender equality in employment



In access to land, too, gender inequality is high, as measured by an index combining land ownership, ownership of untitled land, access to and control of urban and rural land, and existence of a framework promoting women’s access to property (Figure 10).

Figure 10: Gender equality in access to and ownership of land



Rural employment patterns differ from national averages. Far more rural than urban activity is informal.¹⁹ Family labor and arrangements such as sharecropping are the rule, and wage labor is an exception.²⁰ In Benin, for example, rural visible and invisible underemployment is very high, as seen in the underemployment rates for agriculture, live-stock, fisheries, and forestry in 2007–11 (Table 5). Visible underemployment in agriculture increased from 25 percent to 33 percent. Moreover, invisible underemployment was far more prevalent than visible underemployment in all rural activities, both agricultural and nonagricultural.

TABLE 5 Underemployment in Benin, 2007–11, by sector and industry (*percent*)

Type of job	Visible underemployment			Invisible underemployment		
	2007	2010	2011	2007	2010	2011
Agricultural	24.5	25.0	33.0	44.3	50.6	54.5
Nonagricultural	29.4	35.2	29.6	46.3	61.7	46.7
<i>Types of activity</i>						
Agriculture, livestock, fishery, and forestry	29.4	35.2	33.1	46.3	61.7	54.5
Industry	22.1	24.3	29.1	41.0	53.8	55.6
Water, electricity, and gas	22.7	11.8	22.9	37.0	25.9	21.7
Building and related	19.7	17.1	25.0	25.4	33.5	23.3
Commerce and catering	28.9	27.0	33.0	55.2	61.1	56.9
Transport and communication	9.4	11.2	7.6	27.6	23.7	17.2
Bank and insurance	5.7	6.3	6.8	30.5	7.6	7.2
Other services	21.8	28.1	32.8	30.6	35.3	30.0
Nondeclared	25.5	58.1	0.0	41.3	53.2	100.0
Total	27.0	29.8	31.0	45.3	55.5	49.6

Source: Institut Nationale de la Statistique et de l'Analyse Economique, Benin.

A dual and essentially informal labor market

The informal sector's share predominates in both GDP and employment.

The informal sector's share predominates in both GDP and employment in African economies.²¹ Informality's sprawl presents a major challenge to analysts and policy makers trying to curb the trend.

According to the 17th International Conference of Labor Statisticians guidelines,²² informal jobs include:

1. Informally paid employees without social security, paid annual leave, or sick leave.
2. Paid employees in unregistered enterprises with fewer than 5 employees.
3. Self-employees in unregistered enterprises with fewer than 5 employees.
4. Employers in unregistered enterprises with fewer than 5 employees.

5. Family workers.

Employees in category 1 are informal workers in the formal sector. In some countries they may be a higher proportion of informal workers than those working in the informal sector. Those in the other categories are in the informal sector. In category 3, many who are considered informal employees are concomitantly small enterprises or microenterpris-es.²³ A large proportion of employers are counted as informal employees in category 4 because they are in informal production units—over 80 percent of employment is self-employment in most African countries.

Because informal employment includes precarious employment in the formal sector, policies addressing informal employment will also affect the formal sector. Because informal employment includes employers in addition to employees, the informal sector is at the center of private sector development as well as labor market dynamics.

The definition of the informal sector varies significantly from one author to another.²⁴ Most surveys on West Africa consider enterprises informal that are not registered or do not keep accurate accounts: “An informal activity is any activity that is not registered and/or lacks formal written accounting, whether as a primary or secondary job.”²⁵

The 1–2–3 surveys use that definition. These surveys, conducted in most Economic and Statistical Observatory of Sub-Saharan Africa (AFRISTAT) member countries, have three phases. Phase 1 is a house-hold survey covering socioeconomic and demo-graphic characteristics and employment. Phase 2 surveys informal production units in a sub-sample of the phase 1 households. Phase 3 studies consumption in a subsample of the phase 1 households. The 1–2–3 surveys were conducted in seven West African Economic and Monetary Union (WAEMU) economic capitals during 2001–3: Abidjan, Côte d’Ivoire; Bamako, Mali; Cotonou, Benin; Dakar, Senegal; Lomé, Togo; Niamey, Niger; and Ouagadougou, Burkina Faso.²⁶

The surveys show that employment in these countries is essentially informal (Table 6). For example, Dakar had an estimated 277,000 production units in the 1–2–3 survey, but only about 10,000 were known to the tax service and so considered formal. Senegal’s 2016 general census of companies, which excluded outpatient activities, found that almost 97 percent were informal.²⁷ The trends in the other countries are just as striking. In Benin, considered West Africa’s state-ware-house, informality accounted for about 70 percent of national GDP. The average in the region was 50 percent.²⁸

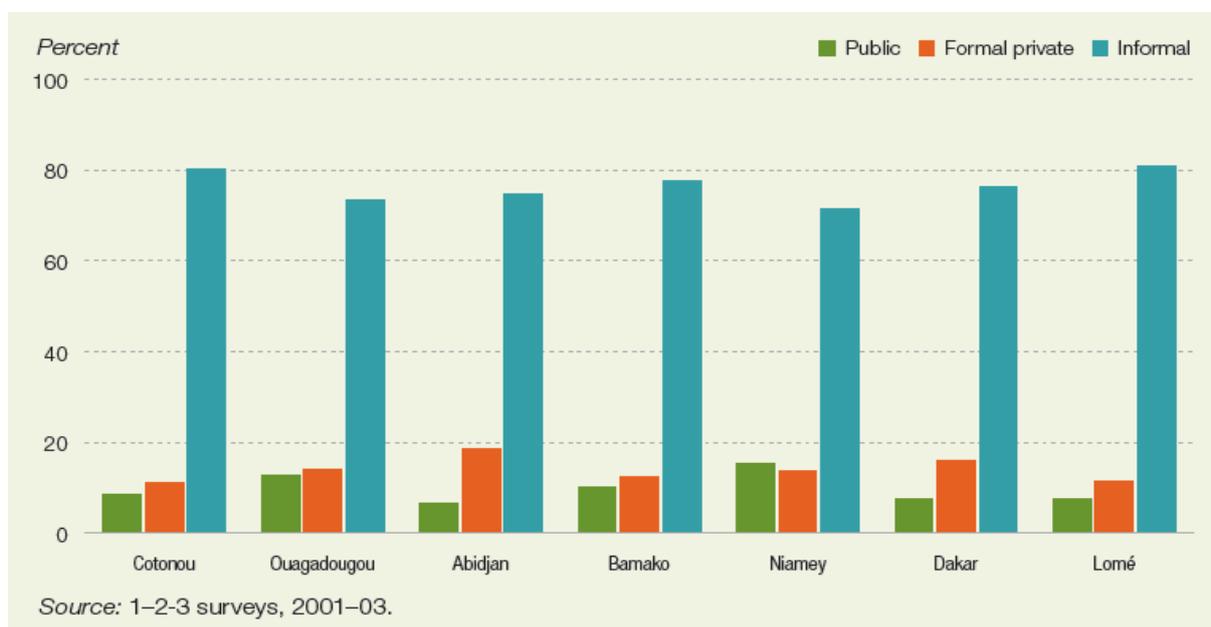
TABLE 6 Informal enterprises and percent of employed women and migrants in seven economic capitals

	Abidjan	Bamako	Cotonou	Dakar	Lomé	Niamey	Ouagadougou
Informal enterprises	609,300	234,000	206,100	277,200	209,800	74,300	151,000
% females	46.7	44.1	53.4	40.8	52.9	36.4	41.9
% migrants	73.3	59.2	56.0	42.7	66.5	61.3	60.5

Source: 1–2–3 surveys, 2001–03.

Jobs are similarly concentrated in the informal sector. The sector accounts for more than 70 percent of jobs in the WAEMU economic capitals in the 1–2–3 surveys, with a peak of 80 percent in Cotonou and Lomé (Figure 11).

Figure 11: Employment by public, formal private and informal sectors in seven West African economic capitals



Identifying informality is by definition difficult because it concerns undeclared activities. The 1–2–3 surveys are one of the most successful efforts to determine informality in West Africa. However, the 1–2–3 survey figures should be put into context:

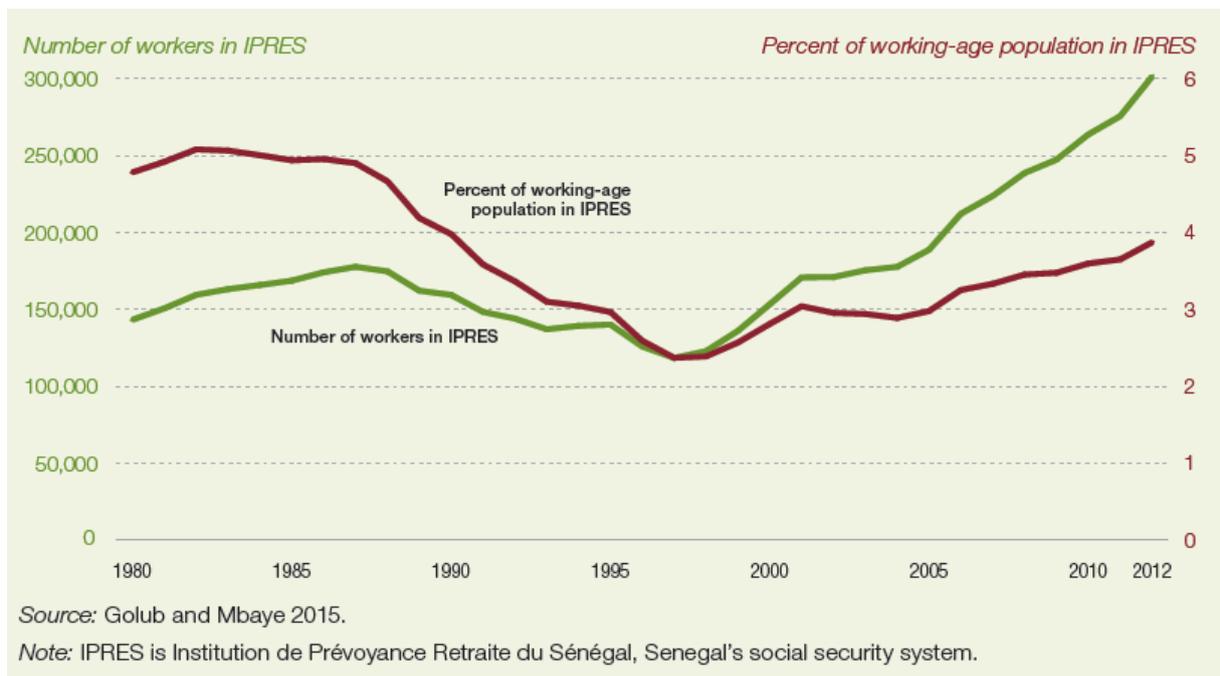
- They only concern economic capitals, though informality prevails even more in rural than in urban settings. Close to 100 percent of agricultural and nonagricultural activities

in rural areas are informal.²⁹ So the 1–2–3 survey figures underestimate informal firms and jobs.

- The surveys treat as formal all production units that keep accounts or are registered. But many registered economic units are informal by other standards in West Africa and elsewhere.³⁰

To better estimate informal employment in Senegal, Golub and Mbaye took the working-age population, estimated at 9 million, and subtracted the number of people in formal employment (those covered by IPRES, Senegal’s social security system).³¹ There were only about 300,000 formal jobs, or just 3.8 percent (Figure 12).

Figure 12: Workers in formal employment in Senegal, 1980-2012



Average formal sector wages are much higher than informal wages in West Africa (Table 7). Formal private sector salaries and benefits tend to follow public sector standards, while informal wages are often below subsistence. Alongside the usual distinction between formal and informal enterprise wages, a fairly clear distinction appears between large informal and small informal enterprise wages (see Table 7).³² Libreville, Gabon is noteworthy: it has the highest average formal sector wage, but also the lowest average informal sector wage. It also has the highest income inequality.

The business environment explains why the formal sector is struggling to grow and failing to generate good jobs.

TABLE 7 Wages of employees according to firm status

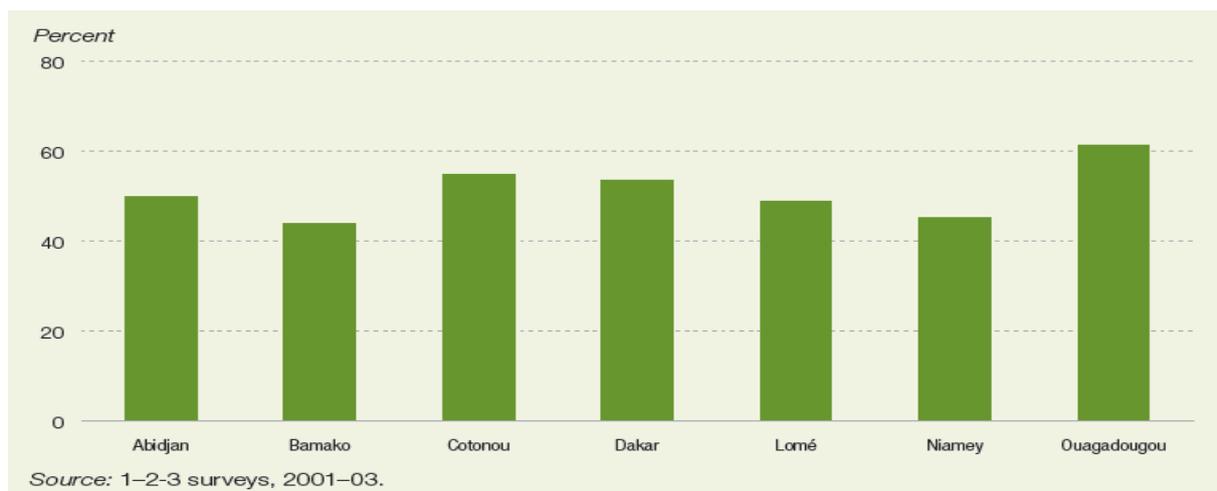
	Formal	Large informal	Small informal	Total
Cotonou, Benin	324,802	62,155	79,340	140,468
Dakar, Senegal	467,269	265,750	182,472	264,416
Douala, Cameroon	364,404	168,427	103,003	211,523
Libreville, Gabon	656,310	204,810	67,455	200,453
Ouagadougou, Burkina Faso	326,531	319,817	134,036	216,935
Yaoundé, Cameroon	272,180	541,609	85,682	182,851

Source: Mbaye et al. 2015.

The 1–2–3 survey data from seven West African economic capitals confirm these trends. In all of them, over 40 percent of informal sector employees earn less than the minimum wage, and in Burkina Faso, the proportion reaches 61 percent (Figure 13).

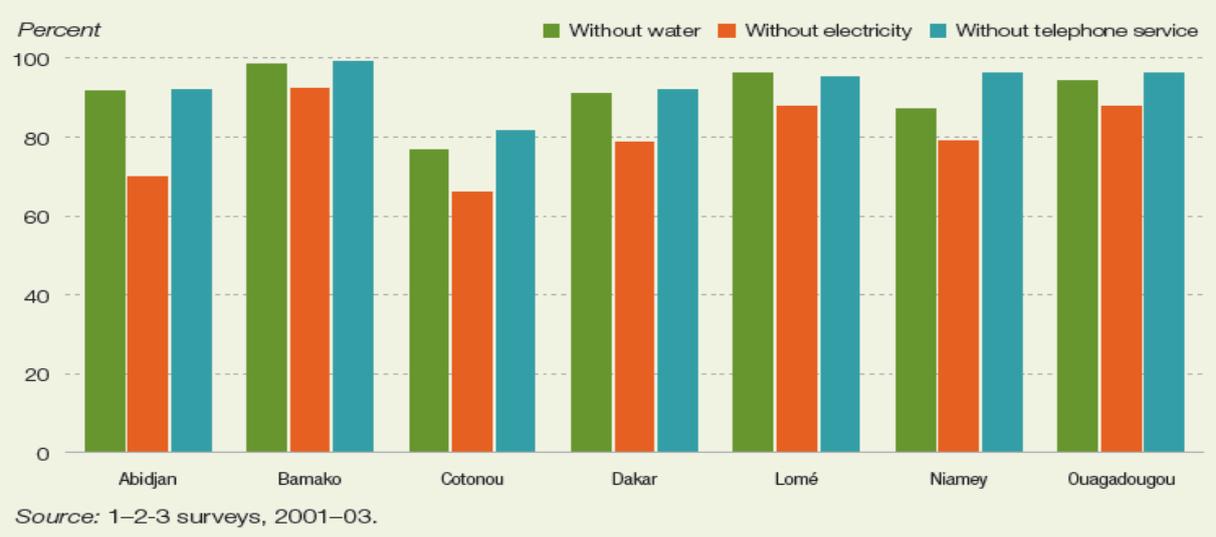
Rising labor incomes are normally the primary way economic growth translates into higher living standards and lower poverty rates.

Figure 13: Employees in informal enterprises earning less than minimum wage in seven West African economic capitals



The precariousness of informal activities also appears in working conditions (Figure 14). Between 80 and 100 percent of informal enterprises lack basic services—water, electricity, or telephone service. These results confirm previous findings.³³

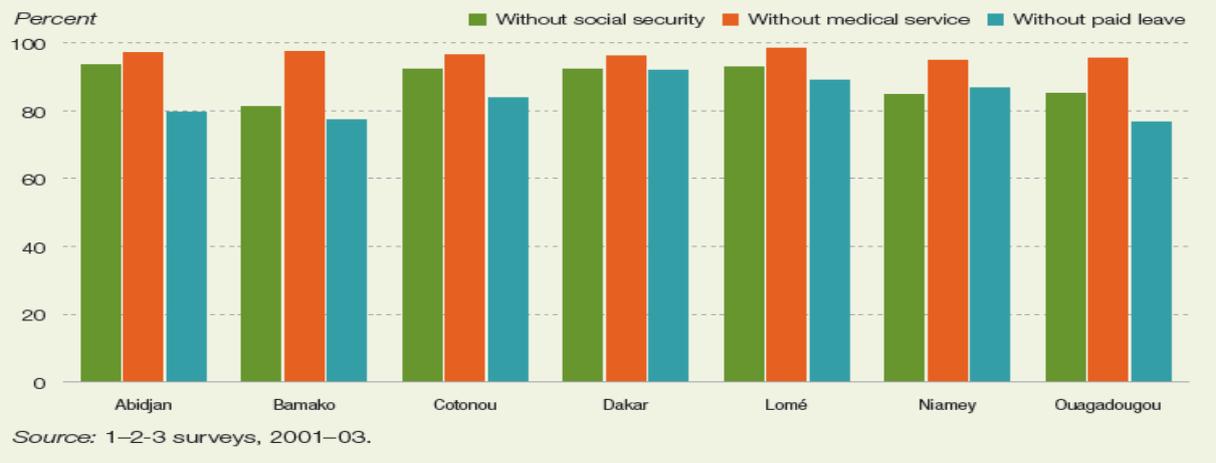
Figure 14: Lack of basic services in informal enterprises in seven West African economic capitals



Low-productivity informal services, rather than formal manufacturing, are absorbing almost all the labor surplus in cities.

Similarly, about 80 percent of informal enterprise employees have no social security or no medical service, and even fewer have paid leave (Figure 15).

Figure 15: Lack of benefits for informal enterprise employees in seven West African economic capitals



3. The business environment and demand for labor

Supply and demand are imbalanced in Africa’s labor market, with high levels of unemployment and underemployment, and few high-quality formal jobs. The business environment explains why the formal sector is struggling to grow and failing to generate good jobs. The business environment affects both large and small businesses, and it affects informal as well as formal employment because managers of informal sector enterprises are counted among informal employees.

Rising labor incomes are normally the primary way economic growth translates into higher living standards and lower poverty rates, in a trickle-down effect. The size of an economy’s formal private sector is correlated with an economy’s ability to generate decent jobs. But Africa’s informal production is symptomatic of a jammed structural transformation, in which labor should first migrate from agriculture to industry and second, as industrial growth slows and industrial employment falls, to a growing service sector.

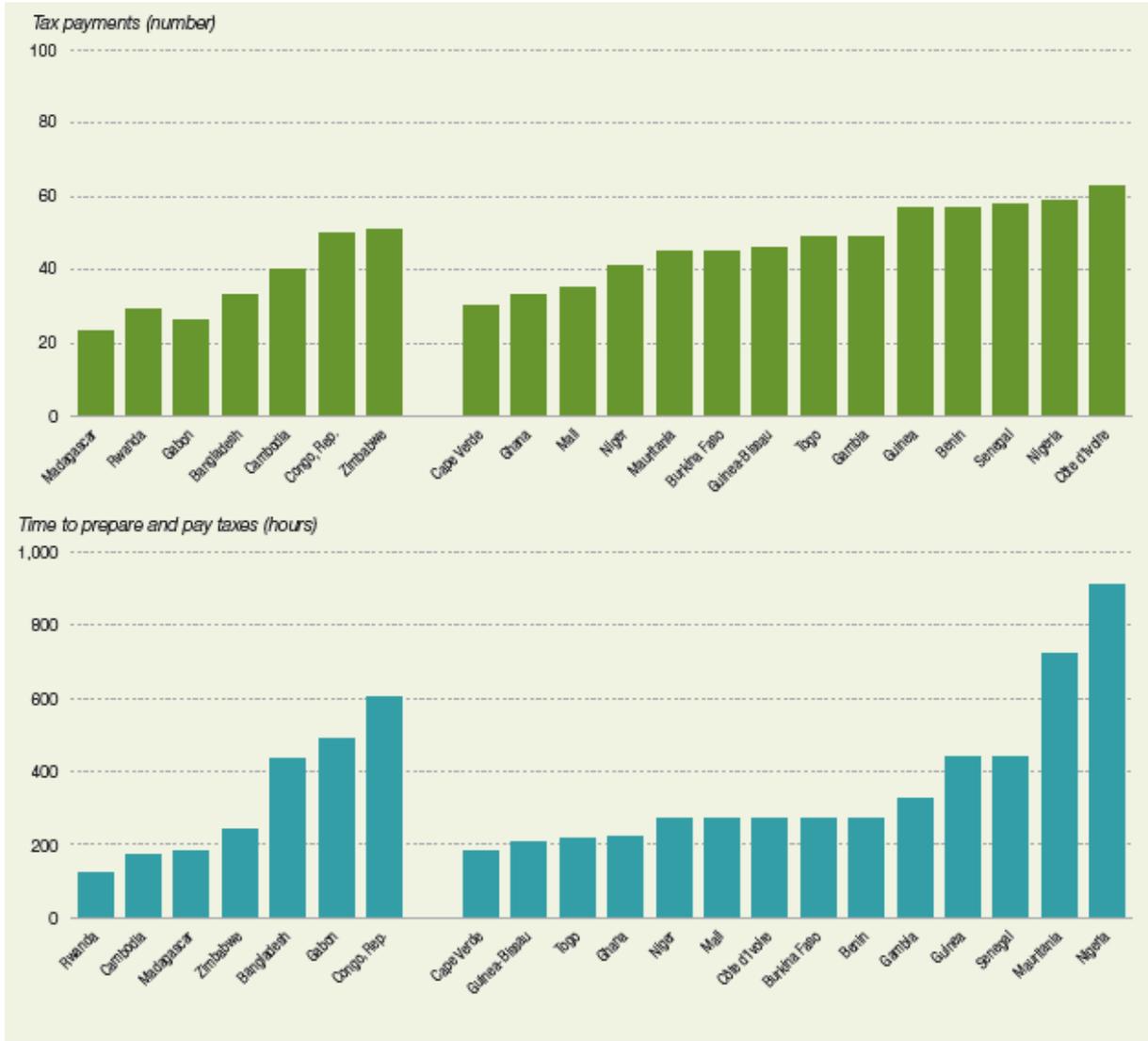
Today, the slowdown in manufacturing in developing countries is coming at about the same level of log GDP, but at much lower per capita GDP, than it did in the developed countries in Europe and America.³⁴ And Africa’s manufacturing slow-down is coming at even lower per capita GDP than the developing country average.³⁵

Africa's migration of agricultural producers from rural areas to cities continues at a steady pace. But low-productivity informal services, rather than formal manufacturing, are absorbing almost all the resulting labor surplus in cities. Informal income in African cities is above subsistence agriculture income but well below formal sector income.³⁶ Any policy promoting employment in Africa should first aim to trigger sustained inclusive growth that would increase the demand for formal labor.

West Africa's unfavorable business environment is the main cause of the formal private sector atrophying and the informal sector booming. Regulation by a low-quality bureaucracy and high taxes stifle the private formal sector. But because regulation and taxes are mostly avoided in the informal economy, they promote its growth.³⁷ Consequent labor market distortions reduce productivity and hinder the introduction of new technologies, stalling overall growth.³⁸ Further costs due to customs, financing, lack of transparency in tax collection, and inadequate public infrastructure for transport and energy reduce private companies' competitiveness.

How many taxes a company must pay and how much time it takes to declare and pay them, rather than the tax rates themselves, create a bottleneck for businesses (Figure 16). Côte d'Ivoire has the most taxes—63 different types for a private company—followed by Nigeria with 59, Senegal with 58, and Benin with 57. In West Africa, Cape Verde is exceptional, with only 30 taxes. In some countries outside West Africa, the number is relatively moderate: 29 in Rwanda, 26 in Gabon, and 23 in Madagascar. The most time a company spends declaring and paying taxes is in Nigeria, where the average is over 800 hours, followed by Mauritania, Congo, and Senegal. Once again, Cape Verde's average is much more moderate. Fiscal harassment also constrains formal enterprises. A company may undergo repeated audits, inspections, and tax adjustments, once it is identified as one of the few paying taxes.³⁹ In Senegal, only about 15 companies pay up to 75 percent of the state's tax revenue.⁴⁰

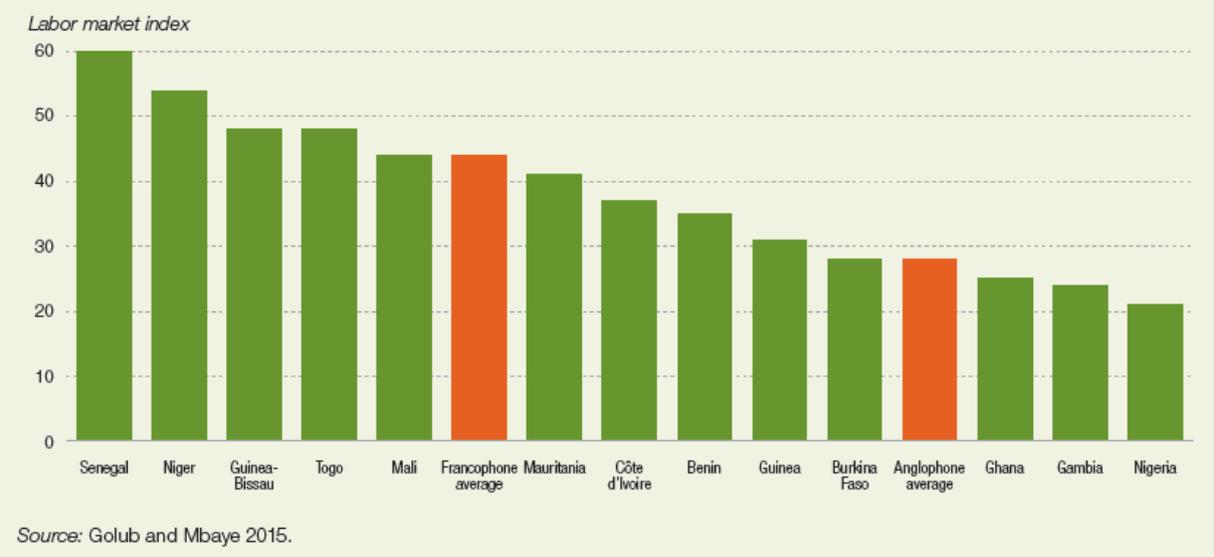
Figure 16: Number of taxes, and time spent declaring and paying taxes



Africa’s labor market has a paradox: the work-force is abundant, but labor costs are high. Labor cost relative to labor productivity in Africa, including West Africa, is higher than anywhere else in the developing world.⁴¹ The wage in dollars relative to productivity in 2010 was 6.5 in Senegal, for example, compared with 1.1 in China, 0.7 in Malaysia, and 0.8 in Mexico and Colombia.⁴² The unit cost of labor is higher in Africa than anywhere else with the same per capita income.⁴³

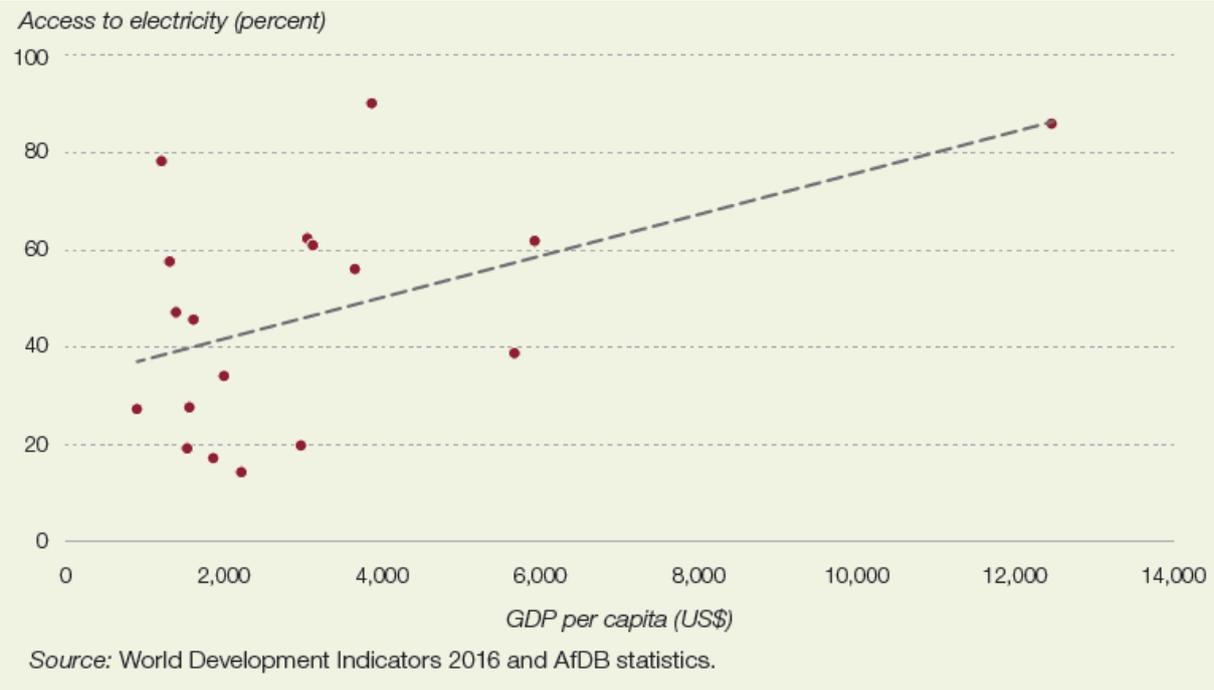
On top of labor costs, rigid complex labor regulations such as legal holidays and restrictions on hiring and firing affect the labor market in Africa. Among West African countries, Senegal, Niger, and Togo score highest on an indicator of labor market rigidity based on work restrictions and regulations, and only Nigeria scores below 0.2 (Figure 17).⁴⁴

Figure 17: Labor market rigidity in West African countries



Other factors obstruct formal private entrepreneurship, limit formal employment, and propel informal sector expansion. In many African countries, access to electricity is low compared with Asian countries at comparable economic stages (Figure 18). The same can be said about bank financing for private investment—it is less available and more costly in Africa than in comparator countries. High transport costs and inefficient transport logistics are also significant obstacles.

Figure 18: Access to electricity and per capita GDP in West Africa and comparator countries



The business environment affects informal small businesses differently than more visible formal enterprises. While informal businesses may escape regulations, they are often excluded from infrastructure services.⁴⁵ Women disproportionately lead informal small enterprises—in Central Africa, about 80 percent, compared with 6–17 percent of formal and large informal ones (box 2).⁴⁶ Women-led enterprises are more often excluded from training, financing, water, electricity, and information and communications technology (ICT) than male-led enterprises. The small informal businesses that women disproportionately lead are the very kind that need public infrastructure.

Increasing workers' training would make them more employable. It would also empower very small enterprises, which are often the individual or family enterprises that constitute most informal employment and self-employment in Africa.

4. Policy responses to unemployment and underemployment

To address unemployment and underemployment needs a holistic approach.

To address unemployment and underemployment, West Africa needs a holistic approach. Labor supply is largely determined by complex interactions among gender imbalances, demographic characteristics, and political failures to provide social services. Labor demand from companies depends on the business climate, including labor market regulations, and companies' productivity and competitiveness.

Two pillars should underpin employment policy interventions. One is supporting very small enterprises (VSEs), the essential part of the self-employment ecosystem. The second is promoting labor-intensive industries. Building industrial parks could provide a shortcut to overcome the constraints that Africa's business environment simultaneously imposes.⁴⁷

Supporting small and very small enterprises

Training should develop advanced skills, including managerial qualities

BOX 2 Informality and exclusion: Female entrepreneurship in Central Africa

Africa often excludes informal actors, particularly women, from services, according to an analysis of women's entrepreneurship in Central Africa. In Douala, Libreville, and Yaoundé, women were more confined to small informal activities and thus more excluded than others from such services as training, financing, and information and communications technology—ICT.¹

The study distinguished between large informal, small informal, and formal enterprises. Women's predominance in the informal sector was evident in all three cities. In Douala, women headed only 10 percent of formal enterprises, and only 6 percent of large informal enterprises. By contrast, women headed 83 percent of small informal enterprises. In Yaoundé, women were 17 percent of managers in the formal sector but 80 percent of managers in the informal sector. In Libreville, women were 12 percent of entrepreneurs in the formal sector (a slightly higher rate than in the other cities), compared with 78 percent of entrepreneurs in the small informal sector. Women were found in crafts, restaurants (gargotes), marketing prepaid phone cards, and other retail trades. Similarly, women played an important role in cross-border trade as commercial intermediaries, often in activities related to their spouses' activities. Women's cross-border trade sometimes employed kinship religious networks.

Only a minority of women-owned companies kept accurate accounts—45 percent in Douala, 36 percent in Libreville, and 27 percent in Yaoundé. A higher proportion were registered—between 48 and 40 percent. This is not surprising due to the weakness of registration as a criterion defining informality.² A better correlate with informality is the small size of the firm. In Douala 86 percent of women-owned companies had fewer than 5 employees, in Libreville, 72 percent, and in Yaoundé, 84 percent. Small-scale informal activities tend also to be more precarious: in Douala, 84 percent of employees in women-owned companies had no social security coverage in contrast to 51 percent of men, in Libreville 81 percent of women in contrast to 66 percent of men, and in Yaoundé, 76 percent of women in contrast to 52 percent of men.

Financial exclusion universally characterizes informal enterprise in Africa (and sometimes even formal enterprise), and women are especially subject to it. Only in Libreville did a higher share of women have access to bank credit—12 percent, compared with 9 percent of men. In Douala, 82 percent of women were excluded from bank credit, compared with 72 percent of men, and in Yaoundé, 90 percent of women were excluded, compared with 73 percent of men.

Women were also more often excluded from water, electricity, and telephone services than men, and they use ICT less. On the other hand, in all 1-2-3 Survey cities, they had fewer problems with unions or the government, and they reported as much optimism as men about their future activities.

In summary, women appear to face informality and insecurity more than men. As a result, the very small businesses that disproportionately characterize female entrepreneurship are the kind that need support from public infrastructure services.

Notes

1. Mbaye et al. 2015.
2. Benjamin and Mbaye 2012.

The main contributors to very small enterprise (VSE) failure are well-known: inexperience, poor cash management, inadequate knowledge, insufficient funding, non-compliance with law, overindebtedness, poor customer service, inability to innovate, inadequate financial planning, and inability to assess strengths and weaknesses. In response, the support strategy should provide training, coaching, and financing.

Training should develop advanced skills, including managerial qualities. It must consist of short targeted courses. It should accommodate diverse learning methods in order to adapt to participants, combining courses, practical work-shops, practical work on the business project, support and individualized advice (coaching), and individualized follow-up. Establishing business incubators should figure in the strategy. Incubators provide physical facilities, consulting resources, and appropriate development tools to new and emerging businesses, helping them survive and grow during startup, when they are more vulnerable.

Lessons from other countries' experience can be applied or adapted. Consider Morocco which has created a legal status, self-employer ("auto-entrepreneur"), that pays a reduced tax when annual sales are below a certain threshold. In exchange, self-employers get easier access to social protection and financing. The system makes it possible for Morocco to better follow informal sector enterprises and create a path to formality for them. And giving informal entrepreneurs status as small businesses effectively places them under the real tax regime, letting the state monitor their activity better. The self-employer scheme covers all sectors, in particular small traders. To be included, annual sales must not exceed 50,000 euros for commercial, craft, and industrial activities, taxed at 1 percent of sales, or 10,000 euros for service providers, taxed at 2 percent. The lesson for West Africa is not to replicate this experience without change. But evaluating and by comparing it with similar experiences (such as in Turkey or China) to get ideas for adapting it would certainly be useful.

Promoting labor-intensive industries

The very small businesses that disproportionately characterize female entrepreneurship need support from public infrastructure services.

With very high youth inactivity and high active population growth, Africa may have a comparative advantage in sectors relying on unskilled labor, such as light manufacturing

(including clothing and hides and skins⁴⁸) and processing agricultural, horticultural, and fishery products. However, the business environment's sluggishness and production's poor organization undermine agriculture and industry and discourage exports and foreign investment. West African countries must reduce investment barriers, especially in agricultural and manufacturing industries that intensively use unskilled labor. Donors, governments, private investors, and local entrepreneurs should work hand in hand to identify barriers to competitiveness. Manufacturing success stories from Ethiopia's industrial parks offer good illustrations of such cooperation.

Notes

1. This is computed using current 2017 GDP for the West African countries.
2. African Development Bank, Organisation for Economic Co-operation and Development, United Nations Development Programme 2017.
3. African Development Bank, Organisation for Economic Co-operation and Development, United Nations Development Programme 2017.
4. Anyawu, Erhijakpor, and Obi 2016.
5. Aryeetey and Baah-Boateng 2007.
6. Ajakaiye et al. 2015.
7. McMillan and Rodrik 2011.
8. Golub and Mbaye 2015.
9. Mbaye and Gueye 2018.
10. World Population Prospects 2017.
11. SNA 2008.
12. Charmes 2016.
13. ILO 2014.
14. Golub and Hayat 2015.
15. ILO 2015.
16. ILO 1998.
17. Some studies (O'Higgins 2017) refer to ages 15–29 as better reflecting the transition from adolescence to adulthood. However, most data on youth employment retain the 15–24 interval.
18. Elder 2015.
19. Benjamin and Mbaye 2012.
20. Mbaye, Benjamin, and Gueye 2017.
21. Benjamin and Mbaye 2015.
22. ILO 2003; Shehu and Nilsson 2014.
23. Uniformed act revised. OHADA 2010
24. Benjamin and Mbaye 2012; Fields 2011; Heintz 2012; Fu, Mohnen, and Zanello 2017.
25. INSEE, AFRISTAT, and DIAL 2005.
26. The 1-2-3 Survey databases are accessed through Kit-1-2-3, which contains extensive documentation on 1-2-3 surveys including articles, survey reports, questionnaires, manuals, and databases.
27. ANSD 2017.
28. Benjamin and Mbaye 2015.
29. See Mbaye et al. 2015.
30. Benjamin and Mbaye 2012; Mbaye et al. 2015; Fox and Sohnesen 2012.

31. Golub and Mbaye 2015.
32. Benjamin and Mbaye 2012; Fu et al. 2017; Mbaye et al. 2015.
33. Benjamin and Mbaye 2012; Perry et al. 2007.
34. See Herrendorf, Rogerson, and Valentinyi 2013; Rodrik 2015.
35. Benjamin and Mbaye 2017.
36. Benjamin and Mbaye 2017.
37. Loayza 1997.
38. Arias et al. 2005.
39. Benjamin and Mbaye 2012.
40. Government of Senegal and Millennium Challenge Corporation 2016.
41. Ceglowski et al. 2015; Gelb et al. 2017.
42. Ceglowski et al. 2015.
43. Gelb et al. 2017.
44. Golub and Mbaye 2015.
45. Perry et al. 2007; Mbaye et al. 2015.
46. Mbaye et al. 2015.
47. Lin and Monga 2017.
48. See Monga and Lin 2010

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