PRIORITY FOR
URBAN LABOUR MARKET RESEARCH
IN ANGLOPHONE AFRICA

by

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The second meeting of the research network on urban labour markets in French-speaking Africa took place on 2 and 3 May 1991 in Yaoundé, Cameroon. This meeting was organised by the International Institute for Labour Studies (International Labour Organisation, Geneva) with financial assistance from USAID. It brought together about 30 participants from a dozen African countries (Benin, Burkina Faso, Cameroon, Côte d'Ivoire, Guinea, Madagascar, Malawi, Mali, Morocco, Senegal, Togo, Zaire) and Europe (Switzerland). In addition, international organisations (ILO - Yaoundé and Kinshasa offices, IILS, UNDP, UNFAP) and regional organisations (CODESRIA, ADB, Hanns Seidel Foundation) were represented.

The aim of the meeting was, on the one hand, to present the state of progress of the analysis of the urban labour market in Sub-Saharan Africa, centred around research themes defined together at the previous meeting; and, on the other hand, to examine the forms of developing co-operation within the network in order to get to better understand the bases of economic policies on labour markets.

The analysis which is presented in this discussion paper is one of the papers presented at the meeting regarding research on the urban labour market programme in Sub-Saharan Africa, within the context of the network.

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1 The first meeting of the network took place in Abidjan, September 1988 at ONFP (Office national de formation professionnelle).
INTRODUCTION

In order to place in context some of the outstanding and potentially important research issues on urban labour markets in Anglophone Africa that need to be explored, it is necessary to recapitulate on earlier theoretical and empirical work. The earlier interest mainly revolved around the conceptualisation of how urban labour markets function, with the dualist approach at centre stage. Later empirical investigations have tended to broaden this rather narrow approach such that the diversity of income and employment opportunities in urban labour markets has been more widely recognized. Yet, controversies still abound over the nature and role of the 'informal sector' in the urban economy, which has not been clearly integrated into a formal modelling approach since the earlier efforts of Mazumdar (1975,1976) and Fields (1975). Clearly, many questions remain outstanding, some of which are taken up below.

Another dimension of research in Anglophone Africa has explored how labour markets respond to absorb the rapidly growing supply of better educated labour to urban areas. Emphasis has been placed on the way new job-seekers, having increasingly higher levels of formal education, are integrated into the urban labour market. While the recent innovative work of Knight and Sabot (1990) in Kenya and Tanzania, and of Collier and Lal (1986) in Kenya, has gone some way to improve our understanding of the process, and important policy implications have been drawn, a number of research questions remain unsettled.

More recently, during the 1980s, the consequences of Structural Adjustment Programmes for African urban labour markets have been truly profound and we shall highlight a few of these outcomes. However, while some of the effects have been documented, our understanding of the labour market mechanisms and processes at work remains rudimentary, leaving much scope for future research.

In summary, the key research issues relate, firstly, to modelling the urban labour market where pressures from the supply side will intensify in the coming decades. How can the differentiation apparent in the labour market, particularly within the informal sector, be incorporated into a conceptual framework which extends beyond the segmented, dualistic approach, following from its apparent breakdown. Second, we need to better understand the processes by which new workers are absorbed into employment, particularly in view of the rapidly growing numbers of better educated recruits. Third, for policy purposes, it is important to collect appropriate data to determine the kinds of education and vocational training which will promote productivity and incomes in the informal sector. Fourth, the relationship between household poverty status and labour market insertion of members needs to be investigated further.

THE DUALIST APPROACH, POVERTY AND UNSETTLED RESEARCH ISSUES

In the late 1960s and early 1970s much of the theoretical literature on urban labour markets in LDCs emanated from the
situation prevailing in Anglophone Africa. Kenya attracted a number of visiting development economists who constructed analytical models proclaiming to conceptualize the urban labour markets of the 1960s, based on the local experience. Several of these models have since become part of the orthodoxies of the discipline of development economics, reaching out well beyond the immediate Kenyan situation.

Their principal concern centred around a supposedly misallocated work force, often between subsistence agriculture and the urban formal sector, as well as within the formal sector and between the urban formal and informal sectors. Wage levels were hypothesized to be above the supply price of labour and inflexible downwards, either because of minimum wage laws or because of turnover-minimizing, efficiency-wage paying, often foreign, firms. Multinational, capital-intensive firms were often thought to be at the centre of this institutional model of wage-setting because of their ability to pay high wages, partly deriving from their monopoly market power. It was they who were thought to underpin the whole of the formal sector wage structure (Rempel and House, 1978,; Stiglitz, 1974).

Job seekers were hypothesized by Todaro (1969,1971) to migrate from rural areas to an urban unemployment queue for the more desirable jobs in the segmented, often public and multinational, formal sector. Employers were believed to respond by rationing jobs according to the educational attainments of job seekers, giving rise to an explosion in the demand for education, particularly at the secondary and tertiary levels. As a result, the minimum education associated with any particular occupation was increasing over the years, while the real wage associated with each level of education has fallen such that the social returns to education have dropped below the private returns. It should be noted that the dualism existing in the urban economy between the formal and informal sectors was not integrated into these early models.

This problem of an additional dichotomy within the urban economy did not arise in the dual economy models of Lewis (1954, 1958) and Ranis and Fei (1984) because the modern urban sector initially absorbs labour from the rural sector at a constant supply price of labour (the average product of labour in agriculture) according to the rate of capital formation in the urban sector. The turning point comes when enough surplus labour has been drawn out of the rural sector such that the marginal product of labour in agriculture becomes positive and the slope of the aggregate labour supply curve becomes positive. According to this model, by expanding the reservoir from which modern sector firms are able to hire labour, population growth postpones the turning point at which the supply of labour curve slopes positively such that living standards are retarded in both the agricultural and industrial or urban sectors (Bloom and Freeman, 1986).

The standard dualistic model of the urban economy emphasized three aspects of the labour market (Kannappan, 1988). First,
formal sector earnings exceed those in the informal sector after controlling for the personal characteristics of the labour force. Second, formal sector units are large, capital-intensive, organised in a corporate form or as government enterprises, and have stable employment policies. Third, government intervention in wages and employment, as well as related union pressures, are factors leading to high formal sector wages.

The insulation of formal sector earnings gives rise to the coexistence of high- and low-productivity sectors within the urban economy inducing rapid rural-urban migration. Job search models initiated by Fields (1975) predicted that the urban informal sector wage could lie below the rural alternative as job seekers improved their chances of formal sector employment by being present in the urban economy. Other than being engaged in the informal sector, the other alternatives for a rural-urban migrant were to return to a rural residence or become unemployed in town. These probabilistic models predicted that unemployment would rise to reduce the likelihood of a formal sector job and the expected urban-rural earnings differential to a level where additional migration would be discouraged to a rate comparable with that at which new jobs were opening up in the formal sector.

Concurrently, the ILO (1972) report on Kenya "discovered" the urban informal sector and popularised the concept in academic and policy-making circles. It gave weight to the labour market segmentation (LMS) literature by promoting the idea that those unable to obtain employment in formal sector would not necessarily be unemployed but could obtain a subsistence-level livelihood in the urban informal sector while searching for a better paying job in the high-wage sector. Fields' contribution was to extend the realism of the dualistic approach by allowing for on-the-job search for formal sector employment while still in farming, by introducing differential education qualifications and by allowing for the possibility that formal sector employers would recruit by using educational attainments as a screening device to hire those with more credentials preferentially. All of these extensions were embedded in the dualistic Harris-Todaro model in a multi-period framework (Fields, 1990).

In retrospect, however, the segmentation model of the urban labour market, leading to a supposed misallocation of labour between sectors, has not received much support. Sceptics have questioned the ability of these two and three sector models to predict certain empirical observations. For example, the models conceive of the informal sector to have negligible barriers to

1 Collier (1985) has provocatively argued that labour misallocation between peasant agriculture and the modern sector, and within the modern sector, is not a major problem and has received far too much of researchers' attention. He believes that the costs of the malfunctioning of the labour allocation process, though not trivial, are likely to be small relative to the failure of other outcomes in labour market performance. This topic is taken up below.
entry. Yet, many writers have questioned this assumption and have identified capital and skill requirements to be highly differentiated according to the type of activity carried on. Furthermore, while lower than formal sector earnings, informal sector incomes are highly differentiated, are correlated with capital and skill barriers to entry and overlap with the distribution of formal sector earnings. My own work in Nairobi, Kenya (House, 1984) and Juba, Southern Sudan (House, 1987) are two among numerous other studies to have corroborated this finding (see Kannappan, 1988). As a result, many successful self-employed persons in the informal sector have little intention of seeking a formal sector job. Indeed, many have intentionally left the formal sector for higher incomes in self-employment.

From my 1978 survey of Nairobi's informal sector I concluded:

"This analysis has shown that Nairobi's informal sector is very diversified, both in terms of the productivity and income levels generated and in the motivation of the participants involved. The simple dichotomy of the urban economy in LDCs into formal sector and informal sector is clearly inadequate. The informal sector can be further categorized into at least two subsectors: an intermediate sector, which appears as a reservoir of dynamic entrepreneurs, and the community of the poor, which contains a large body of residual and underemployed labour .... the policy question remains how best to maximize the development potential of the intermediate sector and, at the same time, minimize the size of the community of the poor" (House, 1984, p.298-299).

Similarly, from my 1982/83 survey in Juba, Southern Sudan, I concluded:

"A dualistic division along lines of sectoral aggregations fails to predict the diversity of outcomes found in the urban economy or to anticipate our general finding that one-half of the households with poverty-level incomes in Juba have a head attached to the formal sector. Our data suggest a dispersed and flexible wage structure which is responsive to large numbers of migrant job-seekers, so that they are absorbed into the urban economy. The result is that open unemployment is negligible. At the same time the flexibility and absorptive capacity of the labour market is contributing to a more efficient and equitable transfer of labour out of a largely subsistence rural economy to an urban situation which is not "modern" but which is dynamic largely because of the informal sector" (House, 1987, p.894).

In an important recent review of this literature Fields (1990) identifies the "easy entry informal sector", comparable to what I had termed the "community of the poor", which displays all the characteristics postulated in the initial modelling
exercise of earlier years - unrestricted entry, low earnings, irregular working hours and work force, lack of protection and little or no regulation. However, it is his "upper tier informal sector" or what I called "the intermediate sector" that has yet to be conceptualised in theoretical models of African urban labour markets\(^2\).

Kannappan (1985) argues that labour market analyses in LDCs must embrace three neglected areas: one, the need to extend our horizons beyond the prevailing sectoral straitjackets and begin focussing on the myriad range of capital-widening economic activities that are neither traditional nor modern; two, we need to better understand the differentiating elements in traditional society and their significance for variable outcomes in the dynamic urban economy; three, we need more in-depth analysis of the microeconomic units in the informal sector that would illuminate the choices made by firms and households.

"Research in this area has consisted mostly of analyses of data yielded by ad hoc surveys, censuses, and scattered bits of related information. A pressing need now is for more detailed economic analysis of employment choices made by representative decision-making units in the labour market. The new economics of the family, focussing on intrafamily substitutions and trade-offs, would certainly be relevant. Case studies in particular may be of great value at this stage of our knowledge" (Kannappan, 1985, p.722).

Fields (1990) offers similar suggestions as to the direction of future research. He accepts that urban informal employment should be disaggregated into at least two groups, leading to important implications, one empirical and one theoretical. Firstly, in empirical work, the two sectors must be considered as different entities although the best way of approaching this remains unresolved. In such survey work, the essential distinctions must be drawn. Secondly, in theoretical work, the dualistic models need to incorporate an additional sector, the "restricted entry self-employment" or "intermediate" sector, into which participants may usually enter after accumulating skills and capital through employment in the formal sector. Or mobility patterns may be more complex; at this time, we simply do not know. One way of doing this would be to formulate a three period model with work in a free-entry job followed by promotion to the urban formal sector and then by work in the restricted-entry self-employment sector. The role of education, and the various kinds of education and training, need to be built into the model as determinants of earnings and

\(^2\) "Few distinct analytical models specifically targeted in any meaningful way to problems of low-income country urban labour markets have emerged in the literature" (Rosenzweig, 1988, p.755).
intersectoral mobility. Personal differences and their sources may also determine work status and sector. Yet, as Fields (1990. p.69) concludes: "Both the empirical and the theoretical tasks are formidable".

From their review of labour markets in developing countries Berry and Sabot (1978) concluded that markets function at a comparatively high level of efficiency. Kannapan (1988) concludes that urban labour markets work in desired rather than perverse directions. Yet, labour market outcomes are far from satisfactory because the conditions that govern access to desirable jobs and incomes are highly unequal. This is a topic that has been explored by Rodgers (1986, 1989) who has argued that differential access to jobs breeds vulnerability in labour markets leading to poverty level incomes.

"The key issue is then differentiation: what patterns of labour market stratification are created such that certain strata show a high incidence of poverty; what patterns of labour market access are created such that certain population groups face restricted options? ... Differential access to these different segments of the labour market is probably the key to understanding the sources of poverty and to a large extent its distribution across different population groups (Rodgers, 1986, p.253-4)".

Rodgers admits that empirical evidence on the relative size of these different categories is scarce, scattered and of uneven quality in Asia. In Anglophone Africa it is an area offering great scope for research. On the supply side of the labour market, household characteristics will have a considerable impact on vulnerability to poverty and associated labour supply patterns, e.g. dependency, type of household (nuclear, extended), labour market status, migrant status, ethnic identity, sex of household head, etc.

My own recent work in urban Juba, Southern Sudan, has attempted to document some of the characteristics of low income households, including their labour market status (House, 1990). Rather predictably, the demographic characteristics of households falling in the lowest quintile of the distribution of urban income per adult equivalent display an overrepresentation of female-headed households, larger household sizes, greater numbers of children, greater dependency, an overrepresentation of the indigenous, non-migrant ethnic group and an underrepresentation of the migrant Northern Sudanese, who dominate the profitable, relatively capital-intensive and oligopolistic trade sector.

3 The pioneering work on Kenya and Tanzania by Knight and Sabot (1990) in considering and measuring the role of cognitive skills in raising productivity and earnings in the formal sector shows the direction in which this work might go. We need to explore educational and skill attainments as determinants of earnings and mobility within the framework of the proposed three sector models.
Households in the poorest decile of the income distribution have only one-half the amount of schooling of those in the highest decile and their poverty is likely to be inherited by their children whose school enrolment rate is the lowest. The index of household nuclearity, defined as the sum of the head, his wife and their children, as a percentage of the total number of household members, is inversely related to the decile of income status attained.

In terms of their employment, including the labour market insertion of the poor, some revealing patterns emerge from urban Juba. One clear explanation for the poverty level incomes of those in the lowest quintile of households is the very low labour force participation rate of adult men (56% c.f. 93% in the highest decile). This is partially explained, perhaps, by ill-health and by the high rate of adult (often primary) school attendance of the poor, due to a late start and/or frequent drop-outs.

The pattern of female labour force participation follows an inverted U-shape across income deciles. Between the third and ninth deciles the female participation rate is 15 to 20 percentage points greater than in the lowest income quintiles, which helps to explain a household's position in the overall distribution of income. The greater dependency, household nuclearity and female headship of the households in the poorest decile largely explains the relatively low female labour force participation rate of the poor. Culture and the desire and ability of better-off husbands to keep their wives out of the labour force helps to explain the relatively low female participation rate among the highest income decile.

Apart from inactivity, the rate of unemployment of household heads is also partly responsible for the plight of the poor in urban Juba (10.9% for the lowest income decile compared with 2.2% overall). Even then, however, almost three-quarters of them are in employment so that their poverty status occurs partly because of their low earning power and because of high dependency. An above average proportion of household heads in the first and tenth deciles of the distribution of income are self employed (35% and 55% respectively, compared with 25% overall) The clear message is that many of the relatively poor are largely engaged in low-productivity, informal sector activities while many of the richest group are successful traders. Indeed 55% of households in the bottom decile have heads engaged in the informal sector;

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4 Given the lack of modern, capital-intensive production, trade and service sectors in Juba, all forms of employment outside of Government, parastatals and voluntary aid agencies are considered to fall in the informal sector, where their pay and working conditions are unprotected and are not regulated by the authorities. All employment here is essentially insecure, with employees being the most vulnerable and exposed to the possibility of instant dismissal and the loss of income (see House, 1987).
the proportion is 70% for the top decile compared with 39% overall.

The heads of households classified as poor are disproportionately represented in the agricultural sector where they are engaged mainly as subsistence farmers in and around the urban area. The richest 20% are overrepresented in the trade sector. While 59% of all household heads are engaged in the public sector, these households are underrepresented in the first and tenth decile. Many of the poor in the first decile are working in informal sector manufacturing and petty trade while over one-third of the relatively better off are traders. There are also some owners of transport businesses and restaurants in this top decile.

Male household heads in the poorest quintile work as long or longer than the better off but their low hourly rate of pay suggests that they can be described as the "working poor". On the other hand, poor, female headed households owe their position to some extent to the relatively fewer number of hours they work.

The dispersion of informal sector workers throughout the distribution of urban Juba income tends to confirm Kannappan's observations from his wide-ranging review of empirical studies on labour markets around the world:

"Urban employment is actually richer and considerably more diverse ... than the literature admits.... What emerges is a spectrum of capital-widening activities and variation in ease of entry, earnings and labour quality that are not necessarily related to formal sector/informal sector classifications (Kannappan, 1985, pp.699 and 705).... Formal sector earnings are not uniformly higher. The urban traditional-sector wages are not necessarily low, even when the urban sector is broadly defined so that the informal sector includes only units with fewer than five employees. Small firms show up every now and then .... indicating higher productivity and earnings. Just as there are segments of low wage employment in the favoured or "protected" modern sector and in manufacturing, there are also relatively well-paid workers in the traditional or informal sectors" (Kannappan, 1983, p.178).

Recent survey work in Lilongwe and Blantyre, Malawi amongst low income households illustrates household survival strategies whereby one or more members engage in both formal and informal employment concurrently (Roe and Chilwa, 1989). The dispersion of informal earnings overlaps with that of the formal sector; unemployment is reported to be less than 5% among the poor.

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5 Selection of truncated samples of this kind, by enumerating only households below a certain income level, should be avoided. It is difficult to generalise from the results of such a sample and to justify the use of standard statistical testing techniques.
Again, the integration of such survival strategies - household members and incomes overlapping in the formal and informal sectors - into more formal models of the urban labour market remains elusive.

While only going some way to uncover the kinds of labour market differentiation suggested by Rodgers to identify the characteristics of the poor, the Juba household survey needs to be refined, replicated and extended to many other urban African settings in order to relate labour market operation and household insertion to poverty status. In particular, more emphasis needs to be given in household surveys to exploring mobility between segments, means of acquiring training (formal or informal), access to capital, job aspirations, and acquired cognitive skills for those household members who engage in informal sector activities. Such information would allow us to build on the multi-sectoral models of the urban labour market, particularly the dualistic aspect, portrayed above. It would also avoid the restrictive nature of current establishment surveys of the informal sector which usually cannot relate the respondent's household's welfare status to the other family members' labour market insertion.

An interesting example of the use of a household survey to gather information about household labour market insertion strategies in the different segments of the labour market is the Malawian Survey of Household Expenditure and Small Scale Economic Activities 1990/91 (HESSEA) currently being conducted by the National Statistical Office. The survey is primarily concerned with a standard set of questions on income and expenditure, including individual information on educational attainments, current school enrolment, and usual economic activity in the last 12 months and in the last week (see Appendix for questionnaire, sections HESSEA 2- Household Composition - A, B and C). However, the final section of the questionnaire (HESSEA 5 - Household Economic Activities in the Appendix) is addressed to collecting information on self-employment in household economic activities in unregistered manufacturing enterprises or in farm or non-farm economic activities hiring less than 5 persons. These definitions encompass those economic activities which we usually associate with the informal sector.

6 Two large scale surveys in 1979 and 1985 of employees in Cyprus allowed me to identify almost 23 thousand workers common to both surveys and to examine mobility between labour market segments and to relate it to personal characteristics and income advancement (House, 1989b). In some African countries, such as Kenya, it might be possible to conduct similar analyses for formal sector workers from national pension fund data banks. For the bulk for those engaged in self-employment, or in the informal sector, such data would be extremely difficult to collect. The case study approach following the job movements of a limited number of respondents over time, might offer interesting insights into labour mobility which would serve as inputs to the modelling exercise.
While this approach is commendable in that it will allow an analysis of the way households straddle the formal and informal sectors, and of the identity of the relationship of this process to the socio-economic and demographic characteristics of members of these households, the questionnaire reveals a number of drawbacks for the kind of use for which we, as labour market analysts, would wish to make of it. For example, from HESSEA 2, Section B, columns (1)-(7) it is impossible to determine whether household members are active in formal or informal sector activities, or whether it is a family-owned enterprise in which they are employed. Furthermore, from HESSEA 5, it will not be possible to determine exactly who in the household and enumerated in HESSEA 2 is engaged in the informal sector enterprise of the household.

While the principal objective of the HESSEA project is, admittedly, not labour market analysis, it seems that a great opportunity has been missed to generate a unique data base. If we were able to identify the economic sector of employment (formal or informal) in the listing in section C of HESSEA 2, and who of these household members is engaged in the household informal enterprise, we would know a good deal more about individual members' multiple job-holding, their concentration in one segment or their straddling two or more segments, and about the whole broader issue of household survival strategies. Furthermore, with a few additional questions it would have been possible to consider issues of job tenure, mobility across segments and sources of training for employment in the informal sector. The lesson of these oversights should not be lost on those of us who are in a position to request national statistical offices to add strategic questions to survey instruments whose principal goal is not to collect data on employment but which have a direct bearing on labour market analysis.

**STRUCTURAL ADJUSTMENT PROGRAMMES: URBAN LABOUR MARKET EFFECTS AND RESEARCH GAPS**

Over 30 countries in Africa have been implementing economic stabilization and structural adjustment programmes (SAPs) in recent years to address imbalances in their internal and external accounts. Some of the labour market consequences of these SAPs include declining real wages, faltering wage employment growth in the formal sector, rising unemployment, expanding labour force absorption in the informal sector and some improvement in rural employment prospects (Vandemoortele, 1989).

Table 1 illustrates the considerable decline in real wages in the formal sectors of English-speaking African countries in the past decade. Extending the series back to 1975 and forward to 1990 would, no doubt, show that real wages have fallen to a

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The questionnaire was finalised before my initial arrival in Malawi so that I was not able to suggest the necessary additions for more in-depth labour market research.
mere pittance of early times. And urban wage earners have borne a heavier burden of the on-going economic crisis. Their income position has worsened relative to other socio-economic groups. In the mid-1970s, non-agricultural wages were over four times the average of per capita income in a sample of African countries; by the latter half of the 1980s the overall differential had fallen to about three (Vandemoortele, 1989, p.8).

Table 1  Real Wage Trends in Selected English-Speaking African Countries (1980=100)

<table>
<thead>
<tr>
<th>Country</th>
<th>Coverage</th>
<th>Year</th>
<th>Index</th>
<th>Annual Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>Public Sector</td>
<td>1984</td>
<td>85.3</td>
<td>-3.9</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>Civil Service</td>
<td>1984</td>
<td>84.1</td>
<td>-4.2</td>
</tr>
<tr>
<td>Gambia</td>
<td>Modern Sector</td>
<td>1984</td>
<td>80.5</td>
<td>-5.3</td>
</tr>
<tr>
<td>Ghana</td>
<td>Modern Sector</td>
<td>1985</td>
<td>79.8</td>
<td>-4.4</td>
</tr>
<tr>
<td>Kenya</td>
<td>Non-Agriculture</td>
<td>1987</td>
<td>77.4</td>
<td>-3.6</td>
</tr>
<tr>
<td>Lesotho</td>
<td>Civil Service</td>
<td>1988</td>
<td>66.8</td>
<td>-4.9</td>
</tr>
<tr>
<td>Malawi</td>
<td>Non-Agriculture</td>
<td>1986</td>
<td>67.1</td>
<td>-6.4</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>Non-Agriculture</td>
<td>1986</td>
<td>25.5</td>
<td>-20.4</td>
</tr>
<tr>
<td>Sudan</td>
<td>Civil Service</td>
<td>1985</td>
<td>52.2</td>
<td>-12.2</td>
</tr>
<tr>
<td>Swaziland</td>
<td>Non-Agriculture</td>
<td>1986</td>
<td>83.2</td>
<td>-3.0</td>
</tr>
<tr>
<td>Tanzania</td>
<td>Non-Agriculture</td>
<td>1987</td>
<td>26.1</td>
<td>-17.5</td>
</tr>
<tr>
<td>Zambia</td>
<td>Non-Agriculture</td>
<td>1984</td>
<td>63.7</td>
<td>-10.7</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>Non-Agriculture</td>
<td>1984</td>
<td>88.9</td>
<td>-2.9</td>
</tr>
</tbody>
</table>

Source: Vandemoortele (1989, p.6)

In addition, a strong compression in the non-agriculture - agriculture wage differential has occurred. For a sample of six English-speaking Sub-Saharan countries Vandemoortele (1989) has shown that the differential fell from over four in 1975 to 2.75 in 1985, an annual average drop of 3.7%. Some of the largest falls in real earnings have been experienced by civil servants, particularly those in their higher grades, confirming the narrowing of formal sector differentials⁸.

These profound changes in the formal sector labour market suggest that the earlier approach to modelling the urban economy may be no longer applicable. While formal sector real wages

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⁸ In the extreme cases of falling real public sector wages (Ghana, Sudan and Uganda) the result has been a demoralization of the civil service, moonlighting in the informal sector, whereby less than half of normal working time is actually spent at the office, and deteriorating job performance, precisely at a time when an efficient public administration is required to help bring about economic recovery (Lindauer, Meesook and Suebsaeng, 1988).
cannot be assumed to be inflexible downwards, in contrast to the earlier models of Todaro (1969) and Harris-Todaro (1970), some interesting and priority research issues have emerged. Were these administered real wage decreases or the results of market forces at work? The answer is not unambiguous. Vandemoortele (1989), for example, argues at one point that "market forces appear to have played a significant role in the observed labour market adjustments" (p.28) while elsewhere the author writes of "a restrictive wage policy" (p.12) suggesting that the changes were largely administered. Unfortunately, we have little or no knowledge of the behavior of informal sector earnings over time, although Vandemoortele (1989, p.23) reports informal employment grew by 6.7% per annum in Sub Saharan Africa over the period 1980-1985. He alludes to evidence that suggests that informal sector earnings (and rural incomes) have been relatively better protected than formal sector wages, because the sector has benefited from a changing demand structure.

Evidently, if our modelling of urban labour market behaviour is to improve, we need better information and data about earnings and employment in the urban informal sector. Unfortunately, very few countries in Anglophone Africa have very much data which monitor changes over time in employment and earnings in the informal sector. The scope for research and data collection here is large and recent experience in Kenya is revealing in this regard. An Urban Labour Force Survey (ULFS) was conducted in 1986 from a survey of 2,700 households located in urban clusters. Questions on household members' involvement in unregistered small scale enterprises helped to identify informal sector participants. The estimate suggested that 34% of total urban employment or 455 thousand was in the informal sector (23% when agriculture is excluded). This is much larger than the 183 thousand estimated from the annual head count of the Central Bureau of Statistics. Why the difference? The ULFS includes agriculture, mining, electricity and water while the CBS count does not. In addition, by visiting and interviewing at the household level, the ULFS enumeration probably included the informal sector self-employed and employees who are omitted from the annual CBS count. The latter only covers identifiable enterprises in particular locations and excludes households unless they double as enterprises in conspicuous and included locations. This is particularly the case for those engaged in Building and Construction, who are unlikely to be found in the 'market stalls' or 'open markets' etc covered by the CBS count. For a similar reason many activities in trade and in personal, social and community services will be excluded. A comparison of the two estimates is revealing in table 2.

Even when we only compare the sectors common to both surveys, the ULFS count is greater by one-third. A further enigma in table 2 is that the CBS headcount of persons in manufacturing exceeds the ULFS estimate. Since the ULFS estimated that more than one-half of manufacturing activities are conducted in the home rather than outside the home, we might have expected a higher ULFS estimate of industrial employment than the CBS count. Clearly, our knowledge of the size and structure of
the urban informal sector is very inadequate in Kenya, a country which has one of the better records of research and data collection in Anglophone Africa.9

Table 2: Comparison of Urban Small Scale Enterprise Self-Employment Estimates, Kenya, 1986

<table>
<thead>
<tr>
<th>Sector</th>
<th>ULFS</th>
<th>CBS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>152,638</td>
<td>n.a.</td>
</tr>
<tr>
<td>Mining and Quarrying</td>
<td>2,271</td>
<td>n.a.</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>15,900</td>
<td>28,973</td>
</tr>
<tr>
<td>Electricity and Water</td>
<td>3,180</td>
<td>n.a.</td>
</tr>
<tr>
<td>Building and Construction</td>
<td>31,800</td>
<td>0</td>
</tr>
<tr>
<td>Trade, Hotels &amp; Restaurants</td>
<td>189,889</td>
<td>126,100</td>
</tr>
<tr>
<td>Transport and Communication</td>
<td>5,451</td>
<td>3,762</td>
</tr>
<tr>
<td>Finance/Business Services</td>
<td>1,363</td>
<td>n.a.</td>
</tr>
<tr>
<td>Personal, Social and Community Services</td>
<td>51,788</td>
<td>23,738</td>
</tr>
<tr>
<td><strong>Total (1 to 9)</strong></td>
<td>454,788</td>
<td>n.a.</td>
</tr>
<tr>
<td><strong>Sub-Total (3+6+7+9)</strong></td>
<td>263,028</td>
<td>182,600</td>
</tr>
</tbody>
</table>

Source: Ritter and Robicheau (1988)

From the data we have, however, additional consequences of the SAPs are that the growth of urban wage employment has decelerated from about 3% per annum earlier, to only 1% in the 1980s. The industrial sectors' performance has been even worse. Since the growth of the urban labour force has not declined during this period, the result has been that a rising proportion of new job seekers has found employment in the informal sector or become unemployed. Vandemoortele (1989 p.10) estimates that, on average, about 60% of the African urban labour force is employed in the informal sector, about 25% is in the formal sector and 15% are unemployed. He concludes that a growing proportion of formal sector workers have become involved in secondary jobs, often in the informal sector. Those unemployed often are forced to take temporary work in the informal sector for reasons of mere survival. And casual formal sector workers often experience regular spells of unemployment. The result has been that the former segmentation of the labour market - formal/informal/agricultural/non-farm - has broken down at the household level. The contribution of SAPs to this fusion of labour markets must have been large. Evidently, the involvement of household members in more than one labour market segment, or

9 It is not only in the informal sector where data are deficient. In Kenya, an annual census of wage employment in the modern sector is undertaken by mail. Yet, the response rate is often less than 15%, and an estimate is made of the sectoral total via a 'black box' computer programme (Vandemoortele, 1989, p.5).
the involvement of the same individual across segments, complicates enormously the possibility of modelling the behavior of individuals or the survival strategies of households.

Although extremely difficult to measure, the growth of open unemployment from negligible levels in earlier times is extremely worrying. In particular, the young and more educated are disproportionately affected. For example, for 15 countries for which information is available, youth unemployment rates are three times higher than adult rates; and youth unemployment is positively correlated with the level of education (Vandemoortele, 1989, p.18). In Malawi, while access to secondary education is severely restricted, secondary school graduates had much higher rates of unemployment in 1977 (Livingstone, 1986) and in 1983 (Malawi, National Statistical Office, 1989). In Kenya, the highest rates of unemployment are associated with persons having completed all or part of secondary school (Kenya, 1988).

Further confirmation of the trends whereby educated unemployment is growing comes from a comparison of the results of a longitudinal study of university graduates in Kenya, over the period 1970-1983. Guaranteed employment by the Government in those days ensured that university graduate unemployment was not a major problem. Yet, the survey shows that their employment prospects are worsening over time. In 1991, it is reported that a large majority of last year's crop of graduates who applied to the Public Service Commission in April 1990 have still not been engaged. The waiting time for general degree students to obtain public sector employment can be 18 months or more.

"There is now a 'serious disparity' between the available vacancies and the graduate applicants who seek to fill them, however, with the latter far outnumbering the former. The situation .... continues to worsen every year, particularly due to the recent directive to ministries and other government departments to cut down on spending .... More serious, however, is the contradiction that seems to be inherent in the supply of graduates in Kenya and the job market in which they are thrown. While the country would seem to suffer a critical deficiency of high-level manpower in technical and scientific fields, the overwhelming majority of graduates from national universities are those who are training in what planners have termed as non-priority areas such as arts and general sciences. What would seem to be lacking in the country's university system is a format by which the training received matches the needs of the market" (Weekly Review, 1991, p.9)

The result of the rapid growth of labour supply has been intense labour market pressure, with relief coming from a rapidly growing informal sector, the latter having created six million new jobs in Africa between 1980 and 1985 compared with the formal sector which added only 0.5 million jobs in the urban economy. Three quarters of new labour force recruits were absorbed by the informal sector; a mere 6% found formal sector jobs (Vandemoortele, 1989, p.23). Without being able to monitor over
time the kinds of jobs and sub-sectors into which the new recruits are being absorbed, and without knowing what has happened to proprietors' incomes and employees' wages in the informal sector, we do not know whether this high rate of absorption has been into productive - or under-employment.

Following his comprehensive review of recent labour market evolution in Africa, Vandemoortele (1989) identifies a number of areas of possible research which can be summarized as:

(i) How can the capacity of the African civil services be increased to carry out essential economic and social development tasks in an efficient and socially acceptable way, which would reverse the suspected decay in the quality of civil service performance? Both Lindauer, Meesook and Suebsaeng (1988) in their general review of wage policy in Africa and House and Chaluma (1990) in Malawi have called for a review of the public sector wage structure and more research on the link between reward and effort in the civil service. 10

(ii) What was the principal source of the decline and compression in the African wage structure? Was it solely because of changes instituted in the public sector? More country-level data and analysis are required on the differential trends in wage changes between the civil service and public and private enterprises. In addition, how were these changes reflected in changes in earnings in entrepreneurial and wage incomes in the informal sector, for which we have very little, if any, time series data?

(iii) While skill differentials have shrunk, unemployment amongst the more educated has grown, and the filtering down process of the more educated into lower level jobs has occurred, so that the private and social returns to education must have been reduced. Yet, the demand for white collar jobs remains high. To what extent does this reflect a profitable choice because a formal sector job gives access to an informal sector job at the same time? Thus, while wage differentials seem to have narrowed, is this still true if we compare the combined income of a formal and informal sector job with that of a full time informal income or agricultural income? Evidently, more data need to be collected at the micro level to capture the dynamics of the household allocation of labour. This also concerns the extent of fusion of urban labour markets discussed earlier. We really do not know the extent of such overlapping.

10 Collier (1985, p.26) notes that "the principal influence upon productivity is the prospect of promotion, since it combines monetary reward with non-monetary status and recognition". The influence of education on productivity is identified to be a function of career structure, as reflected in opportunities for promotion. He calls for an international comparison within Africa, particularly in services such as health and education, where the quantification of productivity is not impossible, in order to guide policy changes.
between the various labour market segments. The collection of such data will present considerable problems, however, particularly where public sector employees are forbidden to engage in other economic activities.

(iv) What is the most relevant education and training for those entering self-employment and wage employment in the burgeoning urban informal sector, as compared with work in the formal sector? Earnings functions for the informal sector - both for the self-employed and wage employees - which attempt to estimate the returns to different kinds of education, training and labour market experience are negligible in Anglophone Africa. In my surveys in both Nairobi and Juba I attempted to estimate such earnings functions, with limited success. In Nairobi, the relationship between entrepreneurial income and years of education proved not to be significant although the educational attainments of those in the 'intermediate sector' are higher than those in the 'community of the poor' (House, 1984). In my Juba survey, however, years of education appeared significant in regression equations explaining entrepreneurial incomes and employee earnings (House, 1987). For policy purposes, however, this kind of analysis requires a good deal of refinement in terms of defining and measuring much more precisely the different kinds of education and training attained, and job experience, in order to relate them to labour market outcomes.

Currently, I am working on the analysis of a large data set, collected from samples of workers in Khartoum's formal and informal sectors, which will attempt to incorporate a selection equation, making the sector of choice endogenous.

Labour market data and information is almost non-existent in Malawi. In 1990, the Ministry of Labour, in collaboration with the World Bank, conducted a sample survey of 150 randomly selected formal sector establishments in order to gauge the impact of a 100% increase in the legal minimum wage in 1989 on employment. We used this opportunity to attach a special module to the original questionnaire asking for basic information for a sample of up to 100 randomly selected employees in the establishment. While the information requested in the mailed questionnaire is very basic - age, sex, occupation, education

A further econometric problem remains. The estimation of a single equation earnings function using OLS for a sample of workers drawn from the formal and the informal sectors implicitly assumes that workers are randomly distributed with respect to their unobservable wage-determining characteristics between the two sectors. Yet, workers may allocate themselves across the sectors according to the these characteristics and OLS estimates will be biased. In this case, it is necessary to employ a switching regression model which contains a selection equation which makes the choice of sector endogenous. The complete model is estimated using Full Information Maximum Likelihood (FIML) methods (See, for example, Van der Gaag, Stelcner and Vijverberg, 1988, 1989).
completed, vocational training, if any, and type, earnings in cash and kind, tenure with the firm and nationality as well as the size of the establishment - its analysis, via the estimation of earnings functions, will uncover some underlying labour market relationships about which we have very little current knowledge. Most formal sector establishments in the survey are urban-based, but rural agricultural estate workers are covered so that urban-rural comparisons will be possible as will public-parastatal-private differentials. The final tally of observations is likely to be 6-8,000, or about 2% of the formal sector work force. Since the survey ran concurrently with the main World Bank funded survey, the cost to the ILO project with which I am associated was negligible.

Along these lines it is useful to briefly review the pioneering study by Knight and Sabot (1990) in Kenya and Tanzania since it points the way for an expanded future research effort on urban labour markets in Africa. By administering tests of natural ability and cognitive (numeracy and literacy) skills acquired in formal schooling to a sample of formal sector employees, and by measuring their formal years of schooling, the authors were able to assess the relative importance of each measure of human capital in raising productivity (as measured by earnings) in formal sector employment. They show that the returns to cognitive achievements, acquired largely through formal schooling, are highest; they are not significantly lower among manual workers than among white-collar employees, nor among primary as compared with secondary school completers. Thus, numeracy and literacy raise the productivity of all types of workers, manual and non-manual.

"The main effect of secondary school attendance on earnings is indirect, through the development of cognitive skill... the returns to cognitive skill are a payment for human capital. Literate and numerate workers are more productive and education and reasoning ability are valuable to workers mainly because they allow them to acquire skills that increase their productivity. Our analysis strongly supports the human capital interpretation of the education-wage relationship, although not to the complete exclusion of other influences" (Knight and Sabot, 1990 p.21).

Kenya's policy of allowing public and private secondary education to expand uninhibited according to social demand, as compared with Tanzania where expansion was severely restricted, appears as justified12.

The key to understanding why Kenyan labour productivity is greater than in Tanzania lies in the way more educated recruits to the labour force filter down into lower occupations. Roughly 40% of the current difference in mean wages between the Kenyan

12 Kenya's secondary school enrolment rate grew from 4% to 23% between 1965 and 1987 compared with a growth from 2% to 4% in Tanzania over the same period.
and Tanzanian workers is ascribed to the lower cognitive skill of Tanzanians.

"Tanzanian manpower planners have viewed the filtering down of secondary completers into lower occupations as a waste of resources. We have demonstrated that the process is better viewed as a deepening of human capital" (Knight and Sabot, 1990, p.46).

Given that the role of employment - both self-employment and wage employment - in the urban informal sector in Africa will inevitably continue to grow rapidly in the future because of the burgeoning expansion of labour supply, a major policy issue that presents itself is: How can interventions in education and training policies and programmes contribute to the growth of productivity in the informal sector? What kinds of educational and vocational training programmes provide the requisite cognitive and other productivity enhancing skills which will help to boost output and services in the sector? Evidently, the pathbreaking work of Knight and Sabot in examining the relationships between education, skill acquisition and productivity and earnings in formal sector employment needs to be replicated in other country contexts, particularly for informal sector workers. In this way, policies could be formulated which would help to determine the optimal kind of training for the informal sector. Currently, our knowledge in this area remains grossly inadequate.

OTHER POTENTIAL RESEARCH ISSUES

From the results of World Bank research, Collier (1985) argues that the case against pre-employment vocational training in Africa is very strong\textsuperscript{13}. Psacharopoulos and Loxley (1984) found that the diversification of the school curriculum into more directly vocational relevant subjects increases unit costs significantly without raising earnings. On the other hand, the skill formulation taking place on the job, within firms is probably more important.

\textsuperscript{13} Vocational skills acquired prior to employment are often inappropriate because: the public sector is incapable of delivering differentiated skills in the same way that it is able to deliver simple, standardised skills to a mass market; pre-employment vocational training conveys skills too early in the career of the recipients; the firm is able to train at the same time as it can monitor performance, but if the public sector trains, the firm later faces an information gap about the trainee who needs to be tested and certified; and pre-employment vocational training faces the problem of assigning job-seekers to jobs and there is a lack of information to determine whether the quantity of workers trained is adequate (Collier, 1985, p.17).
The theory of skill acquisition distinguishes between general and firm-specific skills; the former are marketable in general while the latter are of value only in the particular firm. If all skills were general, firms would not make investments in them and they would need to be financed by workers; if all skills are firm-specific, firms and workers will share the investment. Optimising firms adopt wage structures which "lock" their trained workers into the firm by linking wages to seniority. Initially, the wage is set below that in a job with no skill acquisition, the foregone earnings being the worker's investment. Subsequently, the wage rises above that obtainable in a no-skill job, so representing the return on investment. This seniority premium "locks" the trained worker into the firm.

Most jobs incorporate both general and firm-specific skills. If workers are locked into firms by their past investments in firm-specific skills, firms are then able to afford to finance the worker's acquisition of general skills knowing that trained workers will not seek alternative employment elsewhere. This is important in Africa since, while credit markets are grossly underdeveloped, workers will under-invest in general skills; a seniority-based incentive structure which locks workers into the firms will enable the employer to invest in these general skills.

What has all of this to do with labour market policy? Collier (1985) argues that the effect minimum wage laws has often been to raise the wage received by new recruits to the labour market above the supply price of labour. Firms respond to the introduction of a minimum wage by reducing seniority premiums and recouping excessive starting wages by restraining later earnings (Collier and Lal, 1986). As a result, minimum wages distort wage structures and thus discourage the kind of important skill acquisition discussed above. One way of overcoming the minimum wage laws would be for them to only apply to workers above a certain age, so that firms would, via a below-minimum wage payment, be encouraged to hire a greater number of young workers and, more importantly, to increase their incentive for investing in worker skills.

Thus, we expect an efficiently operating labour market to be characterized by relatively high turnover at low levels of seniority (less than one year) and very low turnover among workers with 3-15 years of seniority. The former indicates that recruits are not being paid above their supply price and the sorting and matching of workers and employers is operative. Low turnover at higher levels of seniority indicates that firms have erected a seniority wage structure compatible with the profitable investment in skill formation. Data collected recently in Malawi will allow us to gauge the efficiency of the labour market in respect of these mechanisms of labour allocation and skill formation. Elsewhere, it may be possible to analyse national
pension fund data on wages, age seniority and labour turnover.

This concern with formal sector on-the-job training should not ignore the role of the urban informal sector as a potential source for human capital formation. In many African countries informal apprenticeships and on-the-job training exercises play a major role in raising the productivity of labour in this growing sector. Given the future population and labour force dynamics usually portrayed for Africa it seems that the urban informal sector will inevitably grow in both absolute and relative size in the future as marginal and effectively landless labourers seek urban alternatives. Policies need to be considered which recognise the positive role played by the unorganised sector in absorbing otherwise surplus labour into productive employment so that legal, administrative, financial and other impediments to their viable operations are removed. The labour absorptive capacity of the urban economy would be further enhanced, as would the quantity of human capital generated in the sector.

Collier (1985) reiterates our earlier claim that the whole subject area of post-recruitment skill accumulation is under-researched in Africa. We do not know how processes of post-recruitment skill accumulation vary across African countries, or which mode of acquisition is optimal. Such a comparative study is probably the best means of quantifying the scope for accelerating skill acquisition, often through appropriate incentive structures.

CONCLUSIONS

This paper has attempted to highlight some outstanding research issues which would help to fill the informational and data gaps which exist in our understanding of how urban labour markets function in Anglophone Africa. Earlier modelling of the urban labour market seems to have made little progress in the last decade or so. A call has been made to revive this activity and to incorporate household survival strategies which entail one or more members' straddling the informal and formal sectors into the exercise. The diversity of activities in the informal sector must also be accounted for. Evidently, the more sub-sectors to be incorporated into the model, the greater becomes the complexity of conceptualising behavioural patterns. What is apparent is that the dualistic approach has been repudiated.

Such modelling, however, requires greater in-depth information and data on the way workers and households allocate their time across the labour market segments i.e. to capture the fusion of labour markets which has been taking place. This is

14 "The monitoring of voluntary turnover is probably the best single indicator that African governments can have as to the efficiency of their labour markets both in respect of allocation and skill formation" Collier (1985, p.24).
best captured by greater reliance on well-designed household level surveys, which would also allow for greater analysis of the relationship between labour market insertion and poverty status.

Finally, the way the growing number of better educated workers are absorbed into employment has been explored in Kenya; a duplication of this effort in other African countries is evidently required, including its extension to the informal sector.

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