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The impact of the Global Financial Crisis on Employment for Youth in Sub-Saharan Africa

by Machilu Zimba

The global financial crisis which began in the United States has not left middle-income, low-income and economically struggling countries in Sub-Saharan Africa unscathed. Stiglitz (2009), stresses that the response of the West with resurgent protectionism, bank bail-outs and national-level stimulus packages is distorting competition and incentives to the detriment of developing countries, many of which are in Sub-Saharan Africa. Although, low-income and fragile countries were to some extent insulated from the global financial crisis, their weak economic and political position leaves them more vulnerable on the global stage than they were before.

The World Bank in 2009 suggested four ways in which African economies have been and will continue to be affected. Firstly, In terms of private capital flows that fell by 40% in the second half of 2008. Previously a lot of this capital was used to finance infrastructure and community based investments. Secondly, with declining remittances, thirdly, in terms of Official Development Assistance (ODA) that is likely to fall. During 2008 international donors were already $20 billion short of the commitments they made at Gleneagles in 2005. Finally, export revenues have been significantly hampered. Export earnings finance the majority of national budgets in most sub-Saharan African countries, so the ramifications for public spending are significant. This will affect job creation initiatives targeted at those most vulnerable, namely the youth. Government spending and international aid flows, both key players in determining the poverty consequences of the crisis, are operating on a significant time lag from the more immediate transmission channels; how they develop throughout 2010 will be key determinants of long-term resilience or vulnerability of Sub-Saharan African countries.

The negative effects of the global economic turn-down on jobs and job creation are far from over. If anything, according to the International Labour Organisation's (ILO), "World of Work Report 2009", the job crisis could get worse, with at least 5 million more job losses across the globe unless appropriate measures are taken. It is estimated that at least 20 million people have lost their job since October 2008 when the financial crisis began. In response to the crisis enterprises in the West retained a number of workers through the support of governments. Many introduced shorter hours of work, partial unemployment or involuntarily part time. Once government support is withdrawn, these workers are at risk of losing their jobs. In developing nations, it is predicted that the number of people in informal work will increase as those losing jobs in the formal sector will seek to find a way to survive and engage in economic activities in the informal sector. Jobs in the informal sector tend to be precarious, and thus the goal towards decent work for many in African states is hampered.

The economic growth that African states achieved over the last decade has been jeopardized and progress towards the Millennium Development Goals (MDGs) has been severely hampered by decreases in Foreign Direct Investment (FDI), remittances and aid levels. While the current and projected effects of the global financial crisis are various in the region, the most vulnerable groups are undoubtedly women and young people. The description given of the typical poor African youth from findings discussed in the recent African Development Indicators 2009 is that of a young woman. Obiageli Ezekwesili of the World Bank notes that, "She is 18.5 years old. She lives in a rural area. She has dropped out of school. She is single, but is about to be married or be given in marriage to a man approximately twice her age. She will be the mother of six or seven kids in another 20 years."

The World Bank projects that girls will be the hardest hit by financial crisis as parents are more likely to pull girls from school than a boy when tuition fees become difficult to find. World Bank research found that in both Uganda and Madagascar as soon as household income declines along with a fall in income from agriculture, girls were the first to be pulled out of schools (World Bank, 2009). In a number of instances these young girls would find themselves in engaged in either some form of economic activity or in housework. Premature entry into the labour market with low levels of education leaves these young women vulnerable to exploitation, and reduces their future employment prospects. In response to this the World Bank has adopted a Gender Action Plain worth $11 million over three years for adolescent girls to train, mentor, empower and facilitate the transition of young African women to work in Liberia, Southern Sudan and Rwanda.

Past economic turn-downs have shown that the most vulnerable to exclusion and entrance difficulties in the labour market are young people, those as defined by the United Nations as being between the ages of 15 and 25 years old. Already, the proportion of young people capable of working who do not participate in the labour market is increasing. American and British youth's labour market activity fell by 2 percent and 4 percent respectively over 2008 and 2009. A number of these youth have become inactive, many may have gone back to educational institutions to carry on studying. This in itself would increase their human capital potential, and in the long run increase their opportunities to obtain decent work.

Juan Somavia of the ILO, predicts that during Autumn 2010, world over we will witness a cohort of young people leaving education and wanting to enter the world of work in disproportionately large numbers. Countries such as Switzerland, Austria, Denmark, and Germany who have had a fairly efficient system of internships, apprenticeships and part time employment for young people assisting their school to work transition may experience the pressure of many young people wanting to enter the labour force this year. While, countries in Sub-Saharan Africa who have invested in education for its youth, will see a number of them emigrating seeking work opportunities in the West. Those in rural areas, will move towards urban areas, and may find themselves working in the informal economy in unprotected jobs.

As African states will find their budgets reduced, spending towards education and initiatives to create jobs for young people will suffer, making their transition into work more difficult than it has been.

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