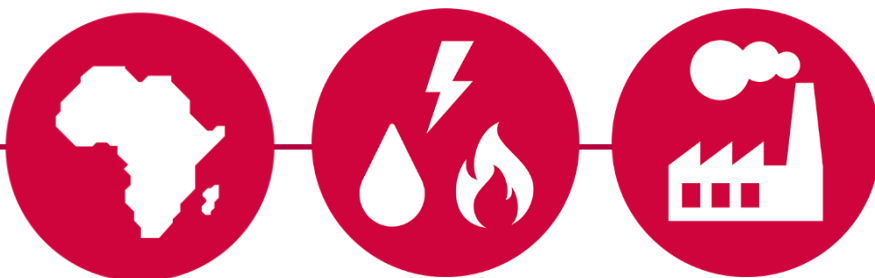


Wanted: 25 million jobs a year

# Africa's untapped economic potential

by **Tilman Altenburg,**

German Development Institute /  
Deutsches Institut für Entwicklungspolitik (DIE)



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Productive jobs are in short supply in sub-Saharan Africa. 84 per cent of the region's working population are employed on an informal basis only, with no permanent contract, calculable income or employment protection. In total, there are 360 million people in the labour force who lack decent work. Population growth is seeing 13 million new individuals enter the labour market each year, and this figure is rising. In order to remove the huge pool of informal work within a single generation and provide employment to those seeking new work, 25 million or so new jobs enabling the earning of a decent livelihood would need to be created each year. If this is not achieved, then the region is at risk of experiencing an unprecedented level of internal conflict, displacement and migration. But where is all this work supposed to come from?

The good news first: The same challenges were faced by many East Asian countries just a few decades ago. Nations such as South Korea, Taiwan, Malaysia, Thailand, Vietnam and China have overcome these difficulties. Their success was based primarily on labour-intensive export industries, such as electronics and clothing, which created a very large number of jobs in a short space of time. These jobs were simple, but more productive and better paid than the previous occupations in the agricultural sector and micro-enterprises. Workers were able to build up savings and invest them in other sectors of the economy. At the same time, they acquired purchasing power for new products. The economy diversified gradually and new industries sprang up, giving rise in turn to demand for high-quality services. Productivity and incomes rose across the board, even in rural areas. Now for the bad news: This kind of structural change is not taking place in Africa at present and there is no sign as yet of a dynamic industry with the potential to absorb workers on a massive scale.

### The countries in the region need future-proof programmes for inclusive structural change.

The global economy is experiencing radical changes at present, with digital technologies revolutionising industry, trade and communication. Climate change is forcing a process of decarbonisation. The purchasing power of growing global middle classes and the bioeconomy are driving up the value of agricultural land. China is becoming a high-wage country and leaving more labour-intensive light manufacturing to poorer states. Industrialised nations are becoming more protectionist, while a new free trade zone is being approved and cross-border infrastructure expanded within Africa. Africa's population is migrating from rural areas to towns and cities. As such, many cards are being reshuffled. But does this offer an opportunity for a massive boom of the kind witnessed in East Asia?

Analyses by DIE show that, while new opportunities are arising for exports from the region, none of these has the potential to create millions of decent new jobs. Africa could specialise in food for the world by making more effective use of agricultural land. However, this would require a whole range of modernisation measures and would need to be organised carefully in order to be socially inclusive. Africa could also supply energy to the decarbonised global economy due to its unparalleled solar and wind conditions. Green energy could be converted into chemical energy sources for energy storage, fuel for mobility or raw materials for the chemical industry. Processors could be attracted to the energy locations. While this power-to-x approach offers enormous potential, the industries are not labour-intensive. Africa could also benefit from China's rising wages and attract the exporting clothing sector. Nonetheless, with the exception of Ethiopia, there is still no African country able to compete with Asia at present. Additionally, Africa could export online services, as exemplified by companies in Nairobi, or expand its sustainable tourism sector and cultural services. However, all of this potential has been rather niche to date.

Far greater opportunities are offered by domestic demand. As history shows, urbanisation cuts per capita expenditure on basic state services, making work more productive. Innovations spread faster. Incomes and purchasing power rise, lifestyles become more diverse, and with them the economy. Rural electrification, which is now more cost effective at local level thanks to renewable energies, provides similar impetus. If the African Continental Free Trade Area (AfCFTA) is implemented as planned, it will create attractive market volumes for African enterprises. Digital technologies facilitate transactions.

The countries in the region need future-proof programmes for inclusive structural change. On the one hand, this is required in order to strategically exploit the potential of domestic demand for local labour markets (the booming construction industry, the demand among middle classes for consumer goods, rural electrification), producing the respective goods and services locally instead of importing them. On the other, such programmes are needed in order to identify new export opportunities at an early stage and develop them into growth drivers. These opportunities may include agricultural products for Asia's middle classes, power-to-x for Europe, online services, tourism and the clothing industry, among others. They vary greatly from country to country. Intelligent structural policy is all about anticipating markets of the future and using them to benefit one's own labour markets.