enabling sustainable livelihoods in cities

POLICY BRIEF

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GIVEN RAPID URBANISATION, A LARGE INFORMAL SECTOR, MASS UNEMPLOYMENT AND LIMITED FORMAL-SECTOR CAPACITY, HOW CAN LOCAL AUTHORITIES HELP CREATE SUSTAINABLE LIVELIHOODS WHILE DEVELOPING CITIES AS PLACES OF INNOVATION AND ECONOMIC GROWTH?
## JOB STRUCTURE IN 11 SUB SAHARIAN AFRICAN CITIES.
### BY INSTITUTIONAL & ACTIVITY SECTOR

<table>
<thead>
<tr>
<th>Sector / Industry</th>
<th>West Africa</th>
<th>Central Africa</th>
<th>Indian Ocean</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Abidjan</td>
<td>Bamako</td>
<td>Ouagadougou</td>
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<tr>
<td>INSTITUTIONAL SECTOR</td>
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<td>7.5</td>
<td>6.3</td>
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<tr>
<td>Public enterprise</td>
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<td>2.5</td>
<td>2.2</td>
</tr>
<tr>
<td>Formal private sector</td>
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<td>11.4</td>
<td>9.9</td>
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<tr>
<td>Informal sector</td>
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<td>77.5</td>
<td>80.3</td>
</tr>
<tr>
<td>Nonprofit organisation</td>
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<td>1.1</td>
<td>1.3</td>
</tr>
<tr>
<td>INDUSTRY</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary sector</td>
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<td>2.6</td>
<td>2.1</td>
</tr>
<tr>
<td>Industry</td>
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<td>20.0</td>
<td>18.0</td>
</tr>
<tr>
<td>Trade</td>
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<td>41.7</td>
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</tr>
<tr>
<td>Services</td>
<td>44.6</td>
<td>35.5</td>
<td>42.9</td>
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</tbody>
</table>

**Sources:** Based on Phase 1 of the 1-2-3 surveys of selected countries. The primary sector includes agriculture, forestry and fishery.
With the world’s fastest urban growth rate and largest youth population, African cities are undergoing profound demographic, spatial and environmental transformations. But formal job opportunities and economic growth have not kept pace, resulting in poverty, vulnerability and many city dwellers turning to the informal sector for sustainable livelihoods.

Opportunities for employment are essential elements of sustainable and productive urbanisation. As such, the first step in improving urban livelihoods is collecting data on labour markets, including information on the informal sector. Attracting diverse industrial growth and private-sector partnerships is also important, but this will require significant improvements to city infrastructure.

City governments need to take an active role in supporting transitions from school to work, while incentivising businesses to share expertise with young entrepreneurs. Finally, it is vital that authorities recognise the importance of livelihoods in the informal sector, providing support to make them a stable, safe and acceptable part of city development.

"Opportunities for employment are essential elements of sustainable and productive urbanisation"
Policymakers and government officials need to:

- Address the data gap in urban labour markets to inform policy formulation aimed at the promotion of job creation.
- Stimulate urban productivity by collaborating with the private sector. This includes developing infrastructure to attract business investment and incentivising private-sector support for young entrepreneurs.
- Support school-to-work transitions and integrate informal economies into cities’ livelihood landscapes.

**What is a Sustainable Livelihood?**

A livelihood comprises the capabilities, material and social assets, and activities required for a person to source life’s necessities, especially food and shelter. A livelihood that can recover from stress and shocks, and maintain or enhance its assets without undermining the resources it relies on, is sustainable.²
SECTORAL COMPOSITION OF EMPLOYED WORKFORCE IN 11 CITIES IN SUB SAHARAN AFRICA


1 Parnell & Pieterse 2014: 15
2 Chambers & Conway 1992
3 Parnell & Pieterse 2014: 14
4 UNFPA 2014
5 De Vreyer & Roubaud 2013: 22
6 UN-Habitat 2014: 18
7 UN-Habitat 2014: 39
8 Turok 2014: loc 1615
9 Habitat III 2015: 6
10 De Vreyer & Roubaud 2013: 23
11 De Vreyer & Roubaud 2013: 26
12 De Vreyer & Roubaud 2013: 27
13 De Vreyer & Roubaud 2013: 27
14 De Vreyer & Roubaud 2013: 17; Parnell & Pieterse 2014: 13
15 Fortune et al. 2015;
16 De Vreyer & Roubaud 2013; Turok 2014
17 De Vreyer & Roubaud 2013: 5
18 Ibid.
19 De Vreyer & Roubaud 2013
20 De Vreyer & Roubaud 2013: 403
21 Habitat III 2015: 7
22 De Vreyer & Roubaud 2013: 6
23 Fortune et al. 2015: 34-35
24 De Vreyer & Roubaud 2013: 400
INTRODUCTION

Fuelled by the world's fastest urban growth rate, African cities are undergoing profound demographic, spatial and environmental transformations. However, urban economic growth and employment opportunities are not keeping pace, limiting the livelihood options for poor city dwellers. Nevertheless, institutes such as McKinsey Global remain positive about the continent’s potential future growth, largely due to Africa’s increasingly urban “youth bulge”. When a region’s working-age population exceeds that of its dependents, a positive cycle of development, investment and growth may be created. With more than 65% of its population under 25, Africa's youth population represents a huge labour force (projected to reach 1.1 billion by 2040) and a globally relevant consumer market.

To realise this advantage, African cities must generate more productive jobs. High levels of existing unemployment and underemployment (particularly among the youth) result in a tremendous annual loss in gross domestic product and wealth creation. Many school leavers remain unemployed for years, highlighting cities' limited economic opportunities and the mismatch between skills and formal market needs. Meanwhile, urban migrants with no qualifications are absorbed into the informal sector, which employs about 70% of all workers in sub-Saharan Africa.

The informal sector offers many city dwellers the opportunity to source the material and/or financial resources needed to pay for basic necessities. However, work in this sector is low paid and unstable, often illegal and/or dangerous, and haphazard in its contribution to the urban tax base.
BRIDGING THE GAP: STIMULATING URBAN ECONOMIC OPPORTUNITIES FOR ALL

The data gap

Knowledge of African urban labour markets is limited.\textsuperscript{17} The information that does exist mostly focuses on a small sample of formal businesses, which, given that between 50\% and 80\% of urban employment occurs in the informal sector, is hardly representative.\textsuperscript{18} Better information on which economic sectors will yield the best returns - and thus which infrastructure and institutions to invest in - is urgently needed.

To inform national policies on creating jobs and improving urban poor livelihoods in cities,\textsuperscript{19} generalised labour force surveys should be conducted across sub-Saharan African cities. The ideal tool is an extended labour force survey designed to capture fundamental labour market data, particularly on the informal sector and employment.\textsuperscript{20} Better collection of social indicators separated by geography, age and sex\textsuperscript{21} is also needed, as is data on the employment activities, income, expenditure and spatial distribution of Africa's urbanising residents.\textsuperscript{22} In addition, data on the diverse circumstances, needs, interests and aspirations of the urban poor, particularly in the informal sector, is required to harness their potential and improve their contributions to city development.\textsuperscript{23}

Private-sector collaborations

Sustainable urban development in Africa will require increased private-sector employment opportunities and investments in industry and innovation. Entrepreneurs in Africa cite access to finance and electricity as the biggest obstacles to doing business on the continent.\textsuperscript{24} Public infrastructure deficiencies (water, electricity, sanitation, transport and solid waste) consume up to 35\% of the private sector's fixed gross investment, undermining profits and discouraging investment.\textsuperscript{25} Functional basic services are needed if cities are to diversify and develop urban industry and promote integrated development.\textsuperscript{26}
While there is little local government can do about the urbanisation rate or international markets, it is able to improve the quality of city infrastructure.\(^{27}\) In a well-planned city, work and home are integrated and connected by affordable transport, education and training systems are accessible, niche product markets exist and supply chains function well.\(^{28}\) Cities need to maintain and expand infrastructure, and provide adequate and affordable housing and viable public transport networks.\(^{29}\)

To improve city quality and stimulate investment, local governments should focus on:

- Creating labour-intensive jobs to install, maintain and revitalise urban infrastructure, especially in informal areas.
- Improving social development services (HIV/AIDS care, orphans, preschools, the elderly).
- Improving environmental services.\(^{30}\)

Public investment in these areas will in turn mobilise private investment.\(^{31}\)

The city should also encourage the business sector to develop young entrepreneurs by providing access to microfinance, mentorship and skills training in sectors where there is a demand for labour.\(^{32}\) Cities can support businesses by providing access to suitable land, financial assistance, and aligning public works programmes and training schemes for youth with business needs.\(^{33}\) Tax incentives for vocational training schemes should also be considered.\(^{34}\)

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**Support transitions to sustainable employment**

Education is a key factor for equal opportunity and access to a decent job, and is the best way to reduce poverty and improve productivity.\(^{35}\) However, a recent study of 10 African cities found that only 53% of workers aged 25 and over hold jobs that match their skills (30% were underqualified, 16% overqualified)\(^{36}\), highlighting the need to better understand and invest in education that meets actual labour market demand.\(^{37}\)
Informal or street trade is a common way to sell goods and/or services across the continent, and constitutes between 12% and 24% of total urban informal employment in many African cities. Street trade is located outside the regulatory environment and is often negatively perceived by local authorities, who respond to it with evictions, harassment, bribes, confiscation of merchandise and physical abuse. Yet informal trade is in fact deeply entwined with the formal sector. Many informal traders source goods from formal suppliers, pay city governments for licences and employ people.

Income varies widely, with the highest paid traders earning as much as successful shopkeepers and professionals, but most earn incomes comparable to unskilled manual labourers. Other than harassment by authorities, the biggest challenges faced by street traders are workplace insecurity; poor infrastructure (running water and waste management), which affects hygiene; and access to finance.

Source: Fortune et al. 2015
National urban policy needs to empower local authorities to devise and deliver employment strategies, such as formalising connections between education and professional learning, combining schooling with ongoing work experience, and investing in the school-to-work transition (including access to career guidance, internships and apprenticeships).

The importance of the informal economy to employment cannot be understated and must be better supported. For millions of city dwellers, the informal sector performs a critical function as a gateway to the labour market. Local government must acknowledge this role and work with the informal sector to achieve better stability, safety and public benefits from informal economies, rather than ignoring or criminalising the sector. This may involve reforming planning regulations on street trading, markets and land use to reduce conflict and increase safety standards for all.

Instead of pitting the formal against the informal, cities need to identify the best way to facilitate the urban poor’s transition to more stable forms of employment, including increasing protection for workers in the informal sector. First steps could include providing skills training to people working in the informal sector and improving access to work, markets and microcredit. This will help informal enterprises succeed, but it will also create a valuable platform for productive dialogue and a better understanding of mutual needs.
CONCLUSION

To generate the employment needed for sustainable urban growth, cities must improve infrastructure to attract investment, diversify industrial opportunities and strategically connect industrial growth to targeted urban development. Cities can only act as engines of growth when they overcome infrastructure deficiencies, ineffective and costly regulations, weak local governance and inadequate long-term finance mechanisms. In addition, cities should focus on understanding the importance of the informal sector and its diverse needs, and support and integrate it where possible.

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REFERENCES


