

The Status of Unemployment Insurance Policies in Africa

Nthabiseng Molefe

High poverty levels in Africa have meant that many people have remained unemployed or remain trapped in the category of the working poor. But in spite of the United Nations' Declaration of Human Rights for the right of all people to a standard of living adequate for well-being, and the right to security in the event of unemployment or lack of livelihood in circumstances beyond one's control, social security or unemployment insurance for many in Africa remains but a dream. Although many countries in Africa have reported some social security policies to alleviate the burden of those without income, these benefits are, however, to a large extent limited to the aged, the young (those who are too young to be legally employed) and the disabled, to the exclusion of the working age population (ages 16–60) who are willing but are unable to find employment.

Introduction

Unemployment can simply be defined as the number of people who are willing but are unable to find employment. Official governmental statistics, however, express unemployment as a percentage of the total available workforce, and this varies greatly on the basis of economic and social circumstances. For this reason, two definitions of unemployment are used: the 'narrow' definition of unemployment which includes only those who are willing to work and are actively searching for employment; and the 'broad' definition of unemployment which includes those who are willing to work but are not searching; this includes those who may

have given up hope of finding employment. The International Labour Organisation (ILO) defines unemployment as comprising all persons above a certain age without paid work or self-employment, who at the time of assessment were available for work (in paid employment or in self-employment), and who at the specified time of assessment had taken specific steps to seek employment or self-employment.¹

For purposes of this paper, unemployment insurance, meant to relieve the socio-economic burdens of those who fit the narrow definition of unemployment, will be discussed concurrently with social security which can be seen as a complimentary benefit, meant to relieve the socio-

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economic burdens of those who fit both the narrow and broad definitions of unemployment.

The ILO (1994) defines social security as 'the protection that society provides to individuals and households to ensure access to health care, and guarantee income security ... in cases of old age, unemployment, sickness, invalidity, maternity or loss of a breadwinner'.² Article 22 of the United Nations (UN) General Assembly's Universal Declaration of Human Rights of 1948 regards social security as the basic human right,³ with Article 25 further stating that 'everyone has the right to a standard of living adequate for the health and well-being of himself and his family, ... and the right to security in the event of unemployment ... or lack of livelihood in circumstances beyond his control'.⁴

Unemployment Insurance Policies in Africa

More than fifty years after adoption of the UN Declaration of Human Rights, the right to social security remains a dream for 80% of the global population; in mostly poor Sub-Saharan Africa, only an estimated 5% to 10% of the working population has some social security coverage, with some middle-income African countries achieving some 20% to 60% coverage for targeted initiatives towards the aged, children below the age of sixteen and the disabled.⁵

According to the ILO Convention, Article 5 of 1988:

Members have made a declaration; and as circumstances permit, to cover the contingency of unemployment; increase the number of persons protected; increase the amount of benefits; extend the duration of payments; adapt schemes to the occupational circumstances of part-time workers, endeavour to guarantee that periods during which such benefits are paid will be taken into account for acquisition of the right to social benefits, and where appropriate the calculation of disability, old age and survivors' benefit; and endeavour to ensure the provision of medical care to persons in receipt of unemployment benefit and their dependants ...⁶

With special provision made by Article 22 for inclusion of persons seeking work who have never been, or have ceased to be recognised as unemployed, or have ceased to be covered by schemes for protection of the unemployed;⁷ the reality is however far from this scenario. Unemployment

insurance and social security benefits, where they do exist, are limited in duration; for the working age population, benefits are only accessed by the employed to the exclusion of other groups who would have wished to be employed but remain unemployed for periods exceeding the minimum duration of the benefit or those who have never been employed.

The scarcity of documented publications on unemployment insurance in Africa is convincing enough to assume that there is a serious scarcity of such policies in Africa. Kaseke notes that 'there is no country in eastern and southern Africa (excluding South Africa) which has a comprehensive social security system'.⁸ Although some social security schemes do exist in this sub-region, they are, however, disjointed and offer only rudimentary forms of social protection. This state of affairs would not be surprising given the poverty levels reported in Africa in comparison to other countries around the world. The ILO, for instance, indicates that almost 60% of workers in Sub-Saharan Africa are living below the poverty line of US\$1.25 per day. Within this figure is included the almost 60% working poor (these being employed people living in households where each member is estimated to be living on below US\$1.25 per day).⁹ Similarly, unemployment figures paint a bleak picture of economic productivity in Africa, this in spite of distortions created by lack of statistics in many Sub-Saharan African countries, or exclusion of certain communities from unemployment statistics. The accuracy of unemployment statistics is undermined by inclusion of those in the informal sector as employed although many of them are still living in poverty; many are coerced into informal livelihoods by the economic burden of unemployment and the subsequent absence of unemployment insurance or a social security cushion. Furthermore, seasonal employment, under-employment and subsistence livelihoods in the largely agrarian rural Africa, is often not computed in employment statistics, thus further distorting figures. The United Nations Economic Commission for Africa (UNECA) in its Economic Report on Africa 2005: Meeting the Challenges of Unemployment and Poverty in Africa, reports that unemployment in Africa between the years 1995 and 2004 has been stable around 10%.¹⁰ Table 1 clearly shows the distortion created by the narrow definition of unemployment, where although the percentage of youth and adults who are unemployed is low, standing at 9.3% and 3.3% respectively, the percentages of youth and adults in the labour force is very high, standing at 55.3% and 23% respectively.

Table 1 Distribution of youth and adults by job status (%)

Data of sampled African countries	Employed		Unemployed		In the labour force	
	Youth	Adults	Youth	Adults	Youth	Adults
Mean	35.5	73.3	9.3	3.3	55.3	23.4

Source: World Bank Survey-Based Harmonised Indicators Programme (SHIP)¹¹

In spite of the already mentioned scarcity of unemployment insurance and social security in Africa, some African citizens do enjoy benefits, although these might be limited in quality, duration or coverage.

A survey conducted by the International Social Security Association (ISSA) shows that although more than 90% of the forty-three African countries that responded to the survey reported having some form of social security, this was limited to old age, disability and work injury or survivor benefits.¹² Of the forty-three responding African countries only South Africa, Algeria, Egypt, Tunisia, Mauritius and to a limited extent, Nigeria and the Seychelles, reported providing unemployment insurance benefits. Such benefits are often:

- financed entirely or largely from compulsory employer and employee contributions for defined categories of employees
- limited to a percentage (between 40% and 75%) of the employee's salary at the time of involuntary disengagement
- limited in duration to a period of between 3 to 6 months and in some rare cases, 1 year depending on special circumstances.

What this scenario means is that unemployment insurance schemes lock out large numbers of the population who may not have access to income and have therefore lost 'the right to a standard of living adequate for the health and well-being of himself and his family' as defined by the UN Declaration of Human Rights.¹³ These include:

- Those who are in the informal sector and therefore not catered for by the compulsory employer/employee contribution schemes (yet these are defined as employed), who in spite of meagre income streams, have no access to unemployment insurance benefits.
- Those who have never been employed in spite of their continued willingness to work should employment opportunities be available.
- Those who, through no fault of their own, have remained unemployed for periods exceeding the prescribed duration of the schemes available.

A larger portion of the responding countries (twenty-three of the forty-three countries responding to the ISSA Survey) reported providing

social security in the form of family allowances targeted at providing additional income to qualifying (based on a means test) families with young children.¹⁴ These are often, to a larger extent, government revenue funded benefits and, to a lesser extent, a portion financed out of employer and/or employee contributions distributed in the form of cash payments to families. This benefit ensures a wider coverage of the population as eligibility is not based on employment status but rather on a government regulated means test.

South Africa, being one of the few middle-income countries in Africa, has a more comprehensive unemployment insurance and social security system. This comprises an unemployment insurance fund (UIF) which is unfortunately accessible only to a fraction of the population in formal employment. UIF benefits are meagre (albeit providing a temporary cushion following unemployment) and limited to 38% to 58% of the beneficiary's monthly earnings received for a maximum of up to 238 days while the beneficiary remains unemployed (Unemployment Insurance Act, 2001).¹⁵ This scheme is a compulsory contributory scheme applicable to all employees in the formal sector. South Africa has a social security system targeted at those who are unable to work as a result of age (the youth and the aged), disability and ill health. Although benefits in this regard can be accessed as long as the beneficiary (according to a means test) satisfies the age, disability or ill health requirements, the quality of the receipts are meagre. Algeria, Egypt, Mauritius and Tunisia have reported similar schemes.¹⁶

Lessons Learned

In the absence of comprehensive schemes that cater for all citizens facing the economic burden of being without employment, countries such as South Africa and Namibia have, through their non-governmental sectors, proposed a basic income grant for the unemployed. 'For a low-income country, even a basic social security system can make the difference between achieving or not achieving the UN Millennium Development Goal (MDG) 1 of halving poverty by 2015. It can enhance the achievement of other MDGs and would

contribute to the Decent Work Agenda.¹⁷ A basic income grant has therefore been proposed as a way of reaching all economically burdened citizens without having to undertake administrative-ly burdensome means and tests to determine the criterion for qualification. Although many civil society organisations in both countries have supported a basic income grant scheme, the challenge for adoption of this scheme has been the financial constraints to the countries' budgets as well as the administrative burden of the scheme. The scheme has, thus, to date not been implemented anywhere in Africa.

In response to the recent global economic recession and the resultant job losses, South Africa has introduced a 'training lay-off scheme as an alternative to retrenchment'. The scheme's coverage of those affected by retrenchments has, however, been constrained with benefits only limited to those earning below R180 000 per annum and the duration of training benefits limited to only three months (Department of Labour, 2009).¹⁸ As with other programmes discussed earlier, the scheme excludes masses of people who have never been employed, those who were retrenched before implementation of the scheme, those who earn above the R180 000 per annum threshold, and those who can be classified as underemployed.

In the interest of alleviating the economic burdens of African societies and making a positive impact on the MDGs, as well as honouring the UN Declaration of Human Rights, governments should look at multi-sectoral policies that cater for social and economic transformation from institutions that promote employment creation and employability of individuals. In the absence of unemployment insurance policies to cushion those facing economic burdens created by loss of income, the World Bank, in its report: *Africa Development Indicators 2008/2009* (2009) has proposed the following measures to improve employment opportunities and employability of populations in Africa:¹⁹

- Appropriate skilling in line with labour market needs to increase the number of people in the labour force that are employable, is critical. Skills should be adaptable to ever dynamic technological changes, with appropriate knowledge and skills relevant to a fast changing global labour market. Unskilled people are more vulnerable to economic shocks, less likely to find work, more likely to be found in low quality jobs (underemployment), with limited opportunities to develop their human capital and limited opportunities for increased productivity and incomes. Skilling should

include formal and informal apprenticeship, technical and vocational training standardised through appropriate testing, and certification mechanisms to ensure ease of transference of skills between industries.

- Support for rural livelihood activities, taking note of the fact that many in rural areas are in subsistence livelihoods or unremunerated home industries. The low incomes attached to these rural livelihoods encourage migration to urban areas whose economic and social resources are already overburdened. Expanding rural investments through infrastructure support (i.e. improving connectivity to markets) and productivity improvements (i.e. investment in improved means of production, providing incentives for investments in rural production activities, addressing vulnerabilities of the agricultural sector to weather related risks) such that farm and non-farm incomes are significantly increased would, to some extent, deter would-be emigrants.
- Ensuring a macroeconomic environment that supports investments has great potential to benefit industrial development and thus increase in job opportunities. This should include ensuring political stability, improving the financial regulatory and tax climate for investment, promoting capital investment in industrial infrastructure development, international trade facilitation, access to investment credit, etc. Employment creation initiatives, whether through public or private investments would have a positive ripple effect on economic growth. As incomes and work opportunities grow, the buying power also grows with a further positive impact on productivity.
- Institutional support for entrepreneurship as a means to meet the demand for jobs currently not met by the job market. Providing incentives for generating business ideas, improving access to credit, access to relevant skills, institutional support for purposes of improving networks and market connectivity, relaxing the financial and administrative burden for entrepreneurship activities especially for small, medium and micro-enterprises which carry greater potential for low capital investments and thus greater job creation opportunities.
- Encouraging informal sector enterprises to grow and succeed without encouraging illegal activities and tax evasion has the potential to create several productive jobs and increase incomes in society. These can be supported

through institutional programmes such as access to training and mentorship programmes, access to targeted credit facilities, and access to operational infrastructure.

Conclusion

The article paints a bleak picture of African governments' initiatives to date to alleviate the economic burden of:

- those never employed
- those who remain unemployed for extended periods of time
- the underemployed.

Although most countries in Africa have reported some form of social security, these benefits are primarily targeted at the aged and the disabled to the exclusion of the many able-bodied unemployed and underemployed. Initiatives to improve employment opportunities or employability of individuals are an additional challenge with many lacking skills, with limited skills or with skills unmatched to the labour market. Worse still, job opportunities have shrunk in the current global economic recession of 2008/2009 and a strain has been put on unemployment insurance benefits (where they do exist), with many remaining unemployed (through no choice of their own) beyond expiry of the prescribed minimum duration of the benefits. Migration to the urban areas is rife as people try to escape the lack of income-generating opportunities in rural areas, but this has meant an overburdening of economic and social resources in the urban areas, with many unable to find jobs as a result of lack of skills or lack of appropriate skills. Unfortunately, those who are unable to find jobs are often in the category not generally catered for by either unemployment insurance benefits or social security benefits.

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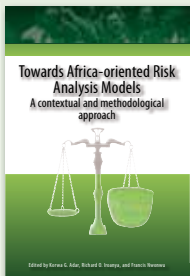
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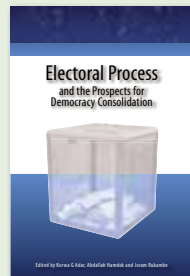
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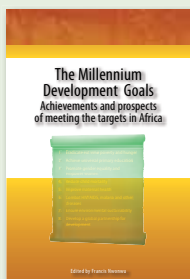
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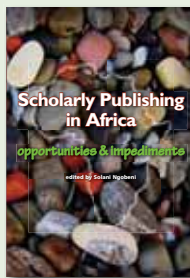
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