## *Labour Market Dynamics in Times of Crisis: Evidence from Africa*

## *Lessons for Policy*

**Research on African Labour Markets (REALM) network**

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All countries experience periodic crises. Some are of their own making, such as bad economic policy choices, some are the result of historical path-dependence and the structure of their institutions perhaps stretching back to colonial times, and some, like the recent global financial crisis, are totally exogenous. African countries, in particular have experienced regular crises since independence which range from civil wars and insurgencies, to political struggles and economic crises, and most recently the global financial crisis.

A first round impact of most crises is disruption of the economy, even if the crisis was not specifically economic in nature. This in turn has labour market effects, and in turn affects livelihoods and poverty. In addition to these immediate effects, periods of unemployment can have a ‘scarring’ effect on wages and future employment probabilities which lasts longer than merely the period of unemployment. The results from research on nine sub-Saharan African countries, as part of an International Development Research (IDCR), Canada, project shows that in these countries it is vulnerable groups, especially women, the youth and those with lower levels of skills, who are most affected by crises.

There are four specific policy lessons which can be drawn from this research. The first is that those who are already at a disadvantage in the labour market are particularly vulnerable – consistently across these studies it is the youth, women, those with lower levels of skills or education and people in smaller firms or the informal sector who are most affected. Arguably economic policy should already focus on these groups, but in addition to this, specific policies which mitigate the impact of crises on these individuals are required. Policies such as temporary wage subsidies or other active labour market interventions may be appropriate if the crisis is exogenous but interventions which are relevant in circumstances when government and government administration does not function as a result of the crisis are more difficult to design.

The second is that the duration of the crisis matters. As the studies on Madagascar and Uganda show, the negative consequences of these crises grow larger, the longer the crisis endures. The third is that the consequences of even a relatively short crisis can persist and since work trajectories are path dependent and early periods of unemployment can result in later labour market scarring, interventions, particularly for the vulnerable, need to be implemented quickly.

The last policy lesson to draw from these studies is perhaps the most important – crises happen, and governments need to have strategies, and potential policies, to mitigate the impacts on the labour market when these crises occur. For interventions to be put in place quickly, as the results from this project suggest they should be, then programmes need to already be in place that can be scaled up quickly, or at the very least there needs to be provision for ‘emergency’ interventions, already planned and with political backing, which can be implemented when a crisis strikes.