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## **The labor market in Benin**

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## Highlights of Labor Market Conditions in Benin

After a decade of unprecedented economic crisis in the 1980s, Benin has managed more recently to achieve growth in its real GDP. That growth has modestly outpaced the growth in population (see **Table 1**).

**Table 1: Population and GDP growth (%), 1990-1996**

Year	Real GDP growth	Population growth	Real GDP per capita growth
1990	2.1	3.2	-1.2
1991	4.7	3.2	3.8
1992	4.0	3.2	1.0
1993	3.5	3.2	-0.2
1994	4.4	3.2	1.2
1995	4.6	3.2	1.3
1996	5.5	3.2	1.5
1997	5.7	3.0	2.6
1998	4.5	2.8	3.5
1999	5.0	2.7	1.5

Source: National Institute of Statistics and Economic Analysis (INSAE) and the World Bank

Yet a closer look at the nature of this economic growth, the volume of long-term job creation, and national poverty rates suggests that Benin's model of economic growth is not capable of generating a sustainable reduction in unemployment or poverty. The model is built on diminished prospects for international competitiveness, weak internal demand, depressed domestic capacity, low productivity, and low household income. Structural adjustment programs were conceived in order to establish macroeconomic balance and revitalize economic growth. But, in fact, they have contributed to increasing unemployment and poverty, both in urban and rural areas. Reforms in the public and parastate sectors were accompanied by massive layoffs and a reduction of the public sector workforce. Cuts in the government budget were realized through drastic reductions in social spending (education and health), in public investment, and in those sectors that typically generated the greatest demand in the domestic market. Cuts in public and parastate employment not only reduced opportunities for permanent employment in the formal urban economy, they also contributed to the decline in rural wages and increased wages in the informal economy. The labor market in urban areas is divided into formal and informal sectors. In the informal sector, wages are not downwardly flexible. The wage anticipated by an urban worker depends on the difference between formal and informal wages and on the worker's probability of getting a job in the formal sector. The reduction in public sector employment increases labor supply in the both the informal economy and rural areas. This is because a lower number of public sector jobs reduces both the migration from rural to urban areas and the probability of getting a job in the formal economy. The consequent excess of labor in rural areas depresses rural wages.

Meanwhile, the drop in migration from rural to urban areas balances out the labor supply in the informal urban economy. As a result, the informal economy grows, and poverty increases due to job instability.

## ***Unemployment***

The 1992 population and housing census showed that 42.4% of Benin's population was economically active according to international standards. The population is unevenly distributed both geographically and by economic sector. Agriculture and the informal economy have been the main sources of job creation. Agriculture employed 61% of the economically active population in 1979; the informal economy employed 34%. By 1992, agriculture had fallen to 56% while the informal economy had risen to 41%.

These two sectors appear to account for over 90% of job creation between 1979 and 1992. Yet the population census alone provides an imperfect picture of the unemployment reality.

In 1992, the official unemployment rate according to that year's census was only 1.5%. This was up only slightly from the 1.0% calculated on the basis of the 1979 population census, Yet these figures reveal little of Benin's economic reality. Unemployment is more complex than what is shown by using the standard international definition of unemployment and applying it to data collected in the various population censuses. More realistic studies of Benin's labor market reveal a much higher unemployment rate. One recent study concluded that the country's unemployment rate in 1992 was actually about 21%. As the economy grew, that figure declined to 12% in 1994 and 9% in 1996 (see **Table 2**). The most important decreases in unemployment occurred in urban areas.

**Table 2: Evolution of unemployment in Benin, 1990-1996.**

Year	Unemployment (%)
1990	23
1991	25
1992	21
1993	13
1994	12
1995	9
1996	9

Source: Estimates made by the Center for Orientation and Research in Competitiveness, Economy and Organizational Decision (CORCEDO).

## ***Unemployment: An Essentially Urban Phenomenon***

Some 70% of the unemployed live in urban areas, and 60% of the urban unemployed live in Cotonou (the capital and major city). This concentration of the unemployed in urban areas is explained by two factors. The first is the weak development of salaried employment (only 7% of the active population is covered by the wage system). Second, unemployment is low in rural areas where over two-thirds of the economically active population is involved in agriculture and generally does not register as unemployed. Various smaller household surveys (Enquêtes Légères Auprès des Ménages-ELAM) since 1990 provide useful information about the level of urban unemployment. These surveys provide two measures of unemployment: the declared unemployment rate and the real unemployment rate.

From a peak unemployment rate of about 25% during the early years of the structural adjustment programs, declared unemployment in urban areas declined sharply to about 9% in 1996 (see **Table 3**).

**Table 3: Real and declared unemployment in urban areas, 1990-1996.**

<b>Year</b>	<b>Declared unemployment rate</b>	<b>Real unemployment rate</b>
1990	24.5	13.1
1991	21	11.5
1992	13.21	10.1
1993	10.2	8.7
1994	12.2	3.8
1995	8.6	4.7
1996	8.8	5.3

Source: National Institute of Statistics and Economic Analysis (INSAE) and ELAM 1-6

The urban areas with the highest rates of unemployment in 1996 were Cotonou (11.9%), Porto-Novo (8.5%), and Abomey-Bohicon (3.0%). Low-income households are more likely to experience unemployment than are higher income households. In Cotonou, 13.3% of households include unemployed people as compared to 2.6% in Parakou. The cities of Porto-Novo, Abomey, and Bohicon have higher unemployment rates than Cotonou. See **Table 4**.

**Table 4: Official and real unemployment rates in low income and non-low income households in urban centers, 1996 (%)**

Non-poor, Poor, All			
Cotonou			
official	9.4	13.3	11.9,
real	5.5	8.4	7.4
Parakou			
official	1.9	2.62;	real 1.9 1.3 1.3
Porto-Novo			
official	10.1	6.6	8.5; real 6.7 2.9 4.8
Abomey-Bohicon			
official	3.9	2.1	3; real 1.8 1.6 1.4

Source: INSAE, UNDP, ELAM

Underemployment includes work that does not provide sufficient hours, has a low skill level, or provides a low income. Two separate household surveys provide data that can be used to calculate underemployment according to a narrower definition and a broader definition. As with unemployment, information on the level of underemployment should be differentiated according to rural and urban areas. Underemployment is pervasive in urban areas (see **Table 5**).

**Table 5: Underemployment rates in urban areas (%)**

Urban centers	1994	1995	1996
Cotonou	24.9	35.3	29.6
Parakou	24.5	24.0	22.0
Abomey-Bohicon	29.4	35.1	23.5
Porto-Novo	24.6	22.3	24.7
Benin	27.0	22.5	27.0

Source: INSAE, UNDP, ELAM

In rural areas, underemployment is calculated relative to a minimum number of adult working hours. The amount of time devoted to agriculture varies from one agro-ecological zone to another. In zone 1, only 38.4% of work time is devoted to agriculture as compared to 67% in

zone 7. The difference between work times during peak season and during the off-season demonstrates the magnitude of underemployment in rural areas. The differential reaches 10 to 14 hours per week in some areas.

### ***The Evolution of Real Wages***

The evolution of both the average nominal wage in the public sector and the purchasing index show declining real wages between 1990 and 1996 (see **Table 6**). This decrease in real wages is 11.9% in 1993 and 3.3% in 1994, the year of the devaluation of the CFA franc currency.

**Table 6: Evolution of average net salaries (nominal and real), 1990-1996.**

	Monthly Salary	Exchange Rate	Monthly Salary	Price Index	Purchasing Index	Variation	Net Average
1990	66	227	250	265	100.5	100	
1991	69	480	250	278	100	100.5	5.5
1992	77	364	250	309	103.7	107.4	1.9
1993	75	167	250	300	105.5	95.5	-11.9
1994	95	044	500	190	144.7	92.2	-3.3
1995	113	602	500	227	165.7	103.9	11.7
1996	123	543	500	247	104.0		0.1

Source: Ministry of Finance and Economy and CORCEDO.

### ***Poverty in Benin***

The global poverty line (GPL) in Benin has been set at 144,261 CFA francs per year (approximately \$198 U.S.) per adult in urban areas and 56,000 CFA francs (approximately \$78 U.S.) in rural areas. The GPL for Benin as a whole is 77,124 CFA francs (about \$106 U.S.). (See **Table 7**.) About 33% of urban households fall below this threshold. Taking into account households vulnerable to poverty, that figure could reach 56%. This means that over half of all urban households in Benin are poor.

**Table 7: Global poverty line in urban centers.**

Proposed GPL	% of the total population	
Cotonou	166,773CFA	55%
Porto-Novo	131,770 CFA	19%
Parakou	110,933 CFA	15%
Abomey-Bohicon	98,724 CFA	11%
Average	144,261 CFA	[?]%

Source: INSAE, ELAM, MIMAP

### ***Income Distribution***

Income distribution is highly unequal across rural and urban areas. Average rural gross annual income in Benin is 121,600 CFA francs (approximately \$164 U.S.) per adult, but this figure varies significantly during the year. Income is higher between December and May when it averages about 37,000 CFA francs per quarter (approximately \$50 U.S.), and lower between June and August when it averages about 20,500 CFA francs per quarter (approximately \$28 U.S.). (See **Table 8.**)

**Table 8: Adult quarterly income in rural households (CFA francs).**

<u>Month</u>	<u>Year</u>	<u>Income</u>
March - May	1994	38,206
June - August	1994	20,497
Sept - Nov	1994	26,524
Dec, 1994 - Feb.	1995	36,389
Annual Income		121,615

Source: ECVR (Enquêtes sur les conditions de vie en milieu Rural), UNDP, MDR (Ministry of Rural Development)

### ***Duration of the Work Week***

The legal work week is 40 hours. In urban centers, however, the work week is longer due to informal industrial activities. Data for 1992 indicate an average work week of about 51 hours with significant differences between sectors: 53 hours in the food industry; 62 hours in textiles; 54 hours in lumber; 48 hours in construction; 50 hours in restaurants; and 63 hours in transportation. In rural areas, the average number of hours worked per day by an adult is

about 4.4. The cycles of agricultural activity explain the variability of the work week in rural areas.

**Table 9: Average time worked per week for rural households**

<u>Month</u>	<u>Year</u>	<u>Duration</u>
March - May	1994	25.4
June-August	1994	24.4
Sept.-Nov.	1994	30.9
Dec. 1994 to Feb. 1995		27.6
Average work week		27.0

Source: Enquête sur les conditions de vie rurale (ECVR), UNDP, MDR

### ***The Minimum Wage***

The legal minimum wage is 25,000 CFA francs per month (approximately \$34 U.S.). The hourly rate is 81.21 CFA francs (see **Table 10**). Wages paid in rural areas are typically well below the minimum wage.

**Table 10: Minimum hourly wage in Benin (CFA francs), 1990-1996**

<u>Year</u>	<u>Wage</u>
1990	81.21
1991	81.21
1992	81.21
1993	81.21
1994	81.21
1995	81.21
1996	81.21

Source: Central Bank of West African States (BCEAO)

### ***Conclusion***

Benin suffers from high levels of unemployment, underemployment, and poverty, all of which are rooted in insufficient demand and low levels of income. These last two factors, in turn, reflect an outmoded economic growth model. The restrictive economic policies implemented during the past decade have reinforced the many negative trends highlighted in this report.