

**Title: Knowing the Benin labor market to better conceive a youth employment project:  
What do we learn?**

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**Abstract**

*Benin is a low income country with nine million people and a per capita income of approximately US\$ 800. Growth has been moderate and steady over the past couple of decades (4 to 5 % annually, less than 3% more recently) compared to the country's population growth (3.2%). This economic performance, combined with a hard social context is unlikely sufficient to meaningfully reduce the poverty level, which was estimated to affect over one third of the population (36.2% in 2011).*

*In the same time, the economy is highly informal. The informal sector estimated to account for considerably more than 50 percent of the total economy and covers more than 90% of the active population. The business environment needs to be improved to attract people in pursuing productive, value creating and employment generating activities in Benin with potential comparative advantages which are yet unexploited. On the other side, the large, innovative and entrepreneurial informal economy, in which women play a large role, is a potential source of growth, investment and untapped fiscal resources. With an improved business and investment climate Benin could position itself favorably as a legitimate and competitive supplier to the Nigerian and regional market. It has been proved that the creation of jobs will depend on the private sector, which accounts for 9 out of 10 of all jobs in the developing world.*

*The present study aims to scrutinize the labor market in Benin in order to bring a significant input to the new project for youth employment in Benin, evaluated at US\$ 35 million.*

*In the first part of the paper the labor market is analyzed through the social and economic context of the country with a focus on different public youth employment projects implemented.*

*The second section goes through the deep analysis of the situation of the labor market with a link between employment characteristics and the high poverty level.*

*The findings will provide a key and main input to the conception the future youth employment project*

*Youth employment policies in Benin*

*Youth employment issues are a policy priority for any public authorities particularly for the Government of Benin. For instance a number of initiatives have been introduced to address underemployment of youth. A national Employment Policy was adopted in 2012. The policy places a strong focus on the underemployment of youth and women and its main objectives are to i) promote access to employment by increasing the supply of jobs and youth employability, ii) improve the functioning of the labor market, iii) reinforce the capacity of institutions in charge of the National Employment Policy, and iv) regulate professional migration. The Ministry of Microfinance and Employment of Youth and Women has the formal responsibility for youth employment in Benin, but there many other ministries and agencies are involved in the area.*

Hence, more than 20 structures within the Government are involved in youth employment, and coordination between these actors is generally weak.

The most important, the national employment agency reporting to the Ministry of Microfinance and Employment of Youth and Women, was created in 2003 and is responsible for addressing unemployment and underemployment issues and for implementing the national employment policy. Its main role is to orient job seekers, provide them with capacity building and training and promote their insertion into the labor market. This agency currently operates four main programs: (i) the Salaried Employment Support Program, which arranges and finances internships; (ii) Self-Employment Support Program, which aims to train, support, and finance entrepreneurs; (iii) Capacity Building for Job Seekers, which seeks to improve the skills of job seekers in agriculture or trades; and (iv) the Decentralized Partnership for Jobs, which aims to build the capacity of local governments in employment promotion.

These programs were all launched in the 2000 and reached between several hundred to one to two thousand beneficiaries per year each (less than 5% of the demand). According to several studies and some specialists, all these programs need some evaluation, particularly to measure their impact on the youth. The self-employment program, which targets mostly youth with higher levels of education, relies on a special Funding Agency, the National Fund for Enterprise and Youth Employment for provision of finance. Unfortunately, in previous years this Fund suffered from weak selection criteria for projects, politicized targeting of beneficiaries, lack of accompanying measures and follow up, and low repayment rates. After the completion of an ongoing restructuring, the Fund is expected to be operational again in early 2014, this time operating through microfinance institutions instead of directly financing beneficiaries.

In this institutional context, the paper analyzes the situation of employment in Benin and brings up the particular situation of youth. A deeper subsection focuses on the relation between employment and poverty, using data from the series of Integrated Household Surveys on Living Standards.

The labor force rate (according to the ILO methodology working people and unemployed) that characterizes the labor factor of the production function, increased from 72.6% to 75.4% between 2006 and 2010. The figures show that the number of women is higher than men in 2010 (1 468 886 against 1,314,132). However, the rate of men is slightly higher than that of women (76.1% against 75.1%) due to the effect of population structure in Benin where women are more numerous.

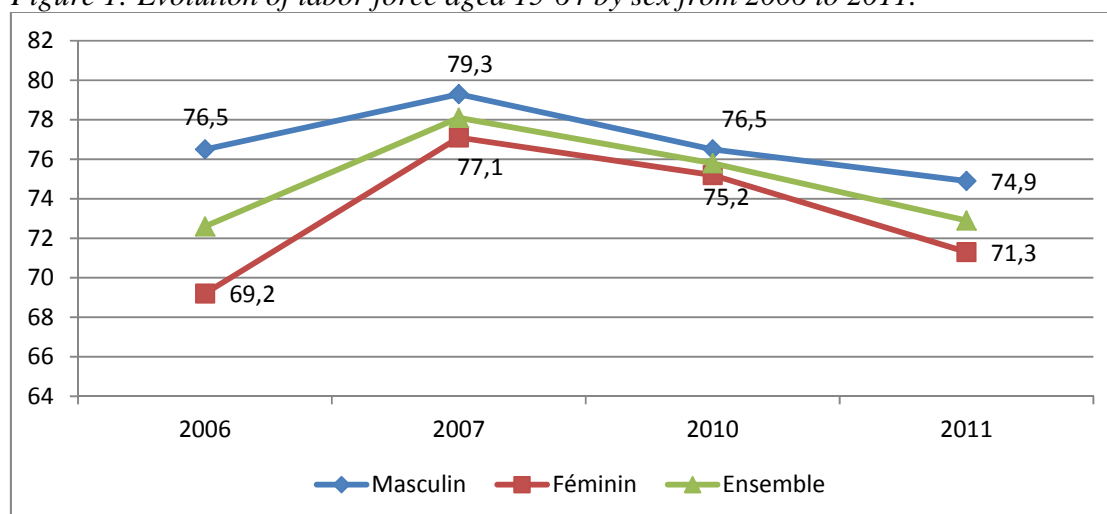
The labor force is dominated by self-employment (60 to 80%) whatever the living area. Salaried employment is more represented in urban area.

Tableau 1: Labor force by socio Professional categories, living area and sex in 2010

	Rural		Urban	
	Male	Female	Male	Female
Salaried employment	5,1	1,3	24,3	8,7
Employer	0,8	0,1	3,6	1,1
Self-employment	80,1	70,8	60,5	73,3
Apprentice/Family aid	14,0	27,7	11,6	16,9
Total	100,0	100,0	100,0	100,0

Source: EMICOV 2009/2010

Figure 1: Evolution of labor force aged 15-64 by sex from 2006 to 2011.



Source: EMICOV 2009/2010

The labor market in Benin is characterized by a relatively high participation rate, for both men and women. 73% of the working age population participates to the labor market according to the official national statistics. The labor force in Benin is mostly young, with 60% of workers aged between 15 and 34 years, predominantly rural (62% of workers living in rural areas) and poorly educated (about 78% of workers in Benin have primary level of education or below). Workers with higher education account only for 2.2% of the labor force. Self-employment is predominant, covering about 70% of the employed population. Unpaid family workers and apprentices account for more than 20% of the workers. The wage sector is small in size and represents only 6.4% of the labor force. Only about 30% of wage workers are in the formal sector, the remaining are employed in the informal economy. About half of the employed population is engaged in the agriculture sector (52.6%). Trade is the second biggest sector with 21.4% of the employed, while services and manufacturing account only for 12.9%.

Table 2. Main Labor Market Indicators: Comparison with Neighboring Countries (in %)

	Benin <sup>(a)</sup>	Nigeria <sup>(b)</sup>	Cote d'Ivoire <sup>(b)</sup>	Togo <sup>(b)</sup>	Burkina Faso <sup>(b)</sup>
Labor force participation	73.2	56.0	68.0	82.0	85.0
Employment-to-population ratio	73.0	51.0	64.0	75.0	81.0
Unemployment rate	0.3	8.9	5.9	8.5	4.7
Female labor force participation	72.5	48.0	52.0	82.0	80.0

Source: <sup>(a)</sup>EMICOV 2009/2010. <sup>(b)</sup> World Bank Databank 2010. Figures are displayed in percentage.

The informal sector employs about 93% of total workers. The public sector and the formal private sector share the bare minimum with respectively 3.9 and 4.2%. The survey also indicates that the formal private sector is more concentrated in Cotonou, the main city of the country, with a total of 16.3% of the working population against 2.9% for other urban areas and only 0.5% for rural areas. People are occupied in the sectors of trade and logistics, food and construction.

While unemployment rate is very low, underemployment is a substantial problem in the country, particularly for young people. The unemployment rate<sup>1</sup> is very low standing at only 0.3% for the all population. Unemployment reaches 4.9% only for those with higher education, many of whom come from wealthier households and can afford to be unemployed and search longer for the right job. Rather than unemployment, the problem for many workers in Benin—especially youth—is underemployment.

#### *Underemployment paradox*

Underemployment can be described in three ways i) involuntarily working part time; ii) working full-time but earning less than a minimal salary, such as the minimum wage or poverty line; and iii) a mismatch between one's job and education, training and experience. The available data permits the measurement of the first two manifestations of underemployment in Benin. As shown in Table 2, 13 percent of Beninese with employment are involuntarily working part-time and would like to work more hours. This type of underemployment is more common in rural areas, among women, and in the 25-34 year-old age group.

*Table 2. Underemployment by Gender, Living Area, and Age Group (in %)*

	Total	Living Area		Age Group			
		Rural	Urban	15-24	25-34	35-54	55-64
By hours: <sup>a</sup>	13.1	13.4	12.7	13.0	14.6	12.6	10.7
<i>Male</i>	10.8	10.7	11.0	10.2	11.7	10.9	9.5
<i>Female</i>	15.1	15.6	14.2	15.7	16.2	14.3	12.5
By earnings: <sup>b</sup>	58.1	63.6	47.9	85.2	61.7	48.9	46.3
<i>Male</i>	40.8	45.6	31.9	83.4	37.9	30.8	33.2
<i>Female</i>	73.6	79.5	62.5	86.9	75.5	68.2	67.3

Source: EMICOV 2009/2010. <sup>(a)</sup> Willing and able to work full-time, but only working part-time. <sup>(b)</sup> Working full time but earning less than the 2010 minimum wage of 27,500 FCFA

The phenomenon of underemployment in Benin is most severe when looked at through the lens of earnings. The majority of employed individuals in 2010 in Benin earned less than the minimum monthly wage of 27,500FCFA at the time, which was approximately equivalent to the poverty line. The percentage of employed earning less than the minimum wage decreased with age: the youth (15-34 year old) were much more likely to earn less than the minimum wage than the non-youth (35-64 year old). Females had a much higher probability of earning below the minimum wage than male: 73.6% of employed females earn below the minimum wage compared to 40.8% of men. In particular, most men transitioned out of earnings-based underemployment as they moved from the 15-24 (83.4% underemployment) to 25-34 age group (37.9% underemployment), whereas women Underemployed workers are mostly self-employed, with no education, engaged mainly in agricultural work, or informal activities in trade or services.

#### *Relationship between employment and poverty*

<sup>1</sup> Defined as the percentage of people who were actively looking for employment, but did not work at least one hour in the week preceding the survey.

*According to a multinomial logistic model, the main factor explaining poverty is not the lack of employment but the nature of the employ. Underemployment (visible or not visible) is the main determinant of poverty. This finding means that any job program should seek the quality of jobs: decent jobs and sustainable jobs.*

*In this context, the labor market situation for Beninese youths is therefore even more precarious than that of the general population. Young workers continue to face disappointing prospects when it comes to jobs as they are often engaged in precarious or vulnerable activities that provide low income and little security. Vulnerable youths often lack adequate skills to enter the labor market and to find good quality employments. Access to formal professional trainings remains however limited for those vulnerable youths as they often lack basic educational qualifications and literacy skills needed to undergo formal training. In the context of the Benin labor market, programs supporting the low productivity self-employed youths would have more impact than those supporting the very small wage employment sector. Given the low level of human capital of this target group, employment programs should be associated with appropriate training schemes, coupling technical/traditional apprenticeships with basic life skills and/or literacy modules.*

*Lack of information remains a major constraint of the labor market in Benin. A national Observatory for Employment and Training, linked to the National Employment Agency, was established. Its role is to collect and analyze data on the labor market to inform job seekers, private sector and policy makers on employment and training decisions. However information on the labor market indicators is very limited and specific data collection instruments for employment do not exist. Better information about the profiles required by the private sector or about the sectors with higher growth potential would help youth making right employment and skills development decisions.*