

ADVANCE EDITION



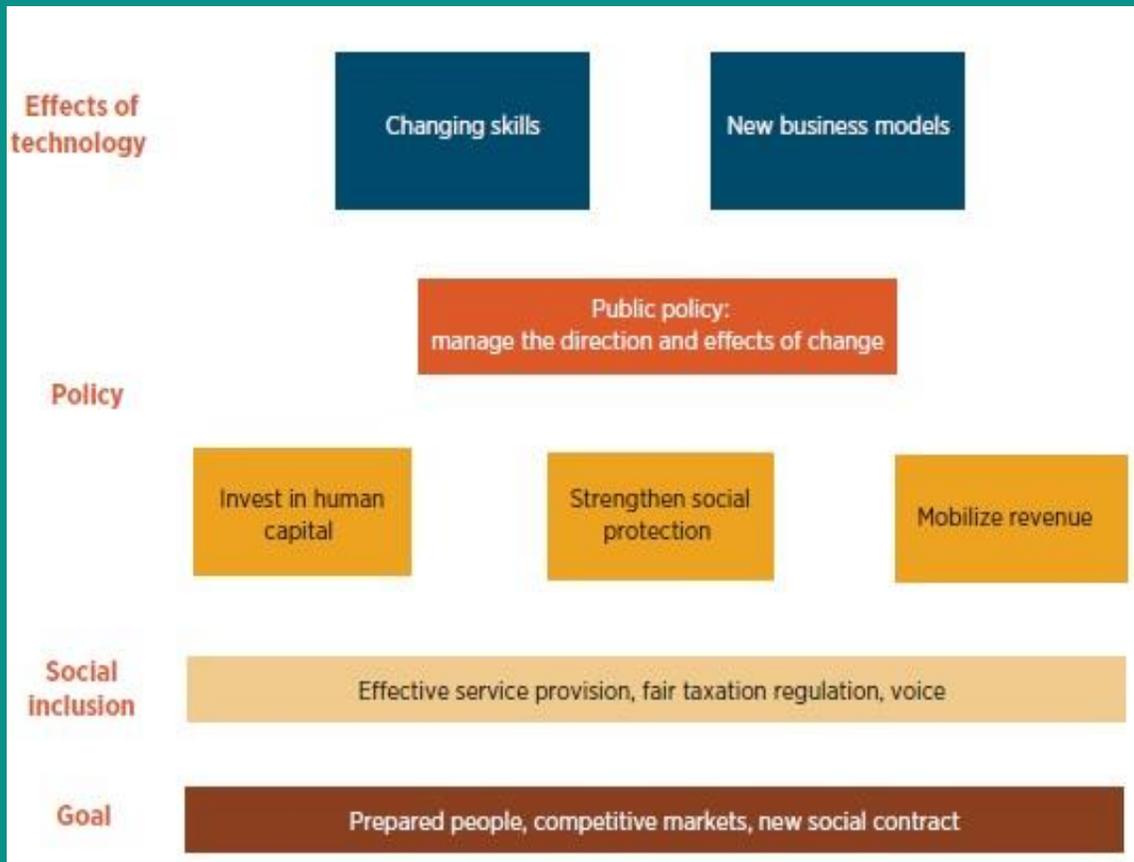
## The Future of Work in Africa

Harnessing the Potential of  
Digital Technologies for All

Jieun Choi, Mark Dutz, and Zainab Usman

**Will African Countries Make the  
Right Decisions to Secure the  
Future of Work?**

# Regional Companion to the WDR 2019 on the Changing Nature of Work



Technological advances are changing the nature of work by:

- **Disrupting the nature of firms:** platform-based businesses are out-competing traditional brick-and-mortar companies;
- **Reshaping the skills needed for work:** declining demand for less-advanced skills and rising demand for advanced cognitive, socio-behavioral, and adaptable skills

Three policy directions to benefit from the potential of digital technology:

- **Invest in human capital**, to develop higher order cognitive and socio-behavioral skills.
- **Strengthen social protection**, complemented by reforms in labor market regulations.
- **Create fiscal space for social investments**, by strengthening underused tax instruments, eliminating tax avoidance and improving tax administration.

## Why Is this Urgent for Africa?

- Continuing high levels of poverty
- Growing youth population
- Global risks from climate shocks, fragility, and economic integration
- A window of opportunity to facilitate technology adoption

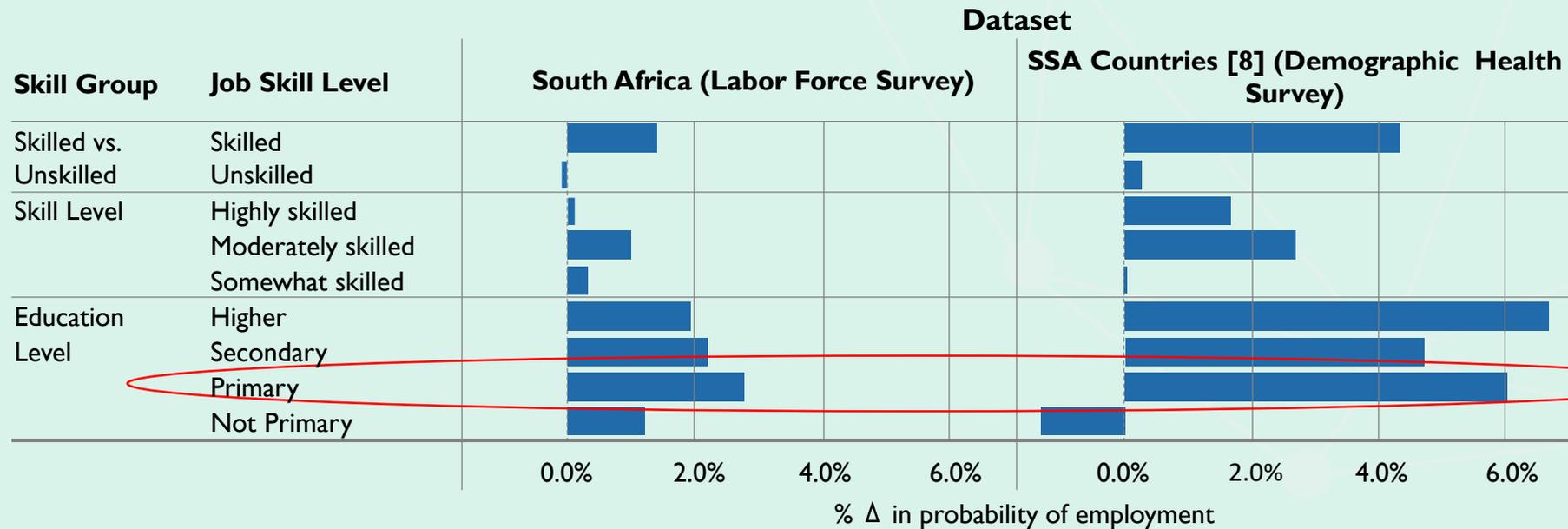




## ...The African Exception

- **Less chance of losing jobs:** Low levels of technology adoption & manufacturing mean worker-replacing DTs not likely to have a major displacement effect
- **More chance of generating jobs:** Low levels of consumption of higher quality products mean greater responsiveness of consumers to price reductions from technology adoption, with increased production driving jobs
- **Greater learning need & potential:** Low levels of human capital and high levels of informality mean greater scope for worker-enhancing DTs, allowing workers to learn as they work

# Faster Internet has Increased Jobs across Education Levels



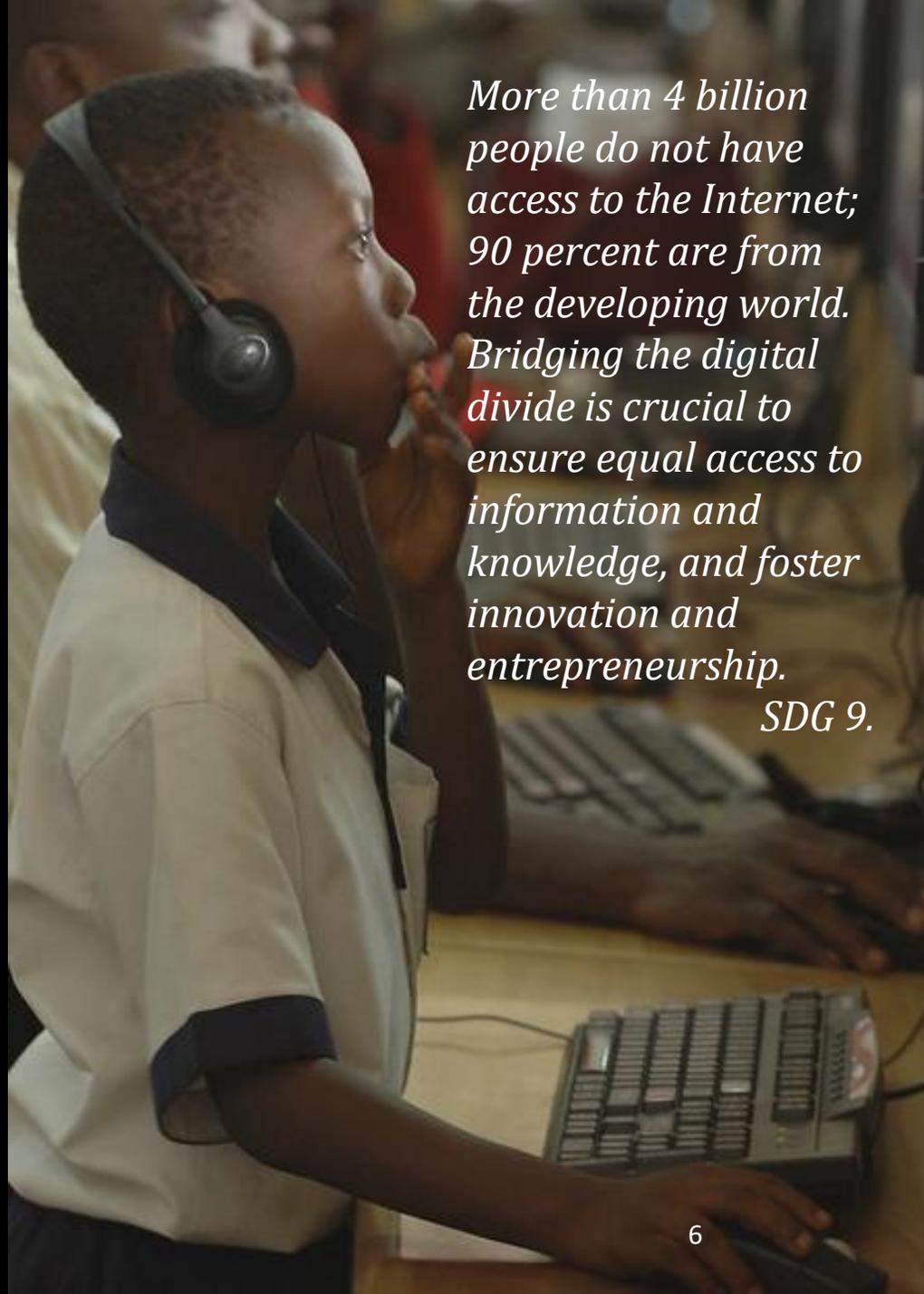
Source: Hjort and Poulsen (2019), "The arrival of fast internet and employment in Africa", AER.

**Even the lower-educated benefited:** the increase in the jobs rate is of comparable magnitude for those with tertiary, secondary and primary education

- Building additional evidence and better understanding the mechanisms underpinning this finding is an urgent priority for more informed policymaking (ongoing research program)

# What Decisions should African Countries Consider?

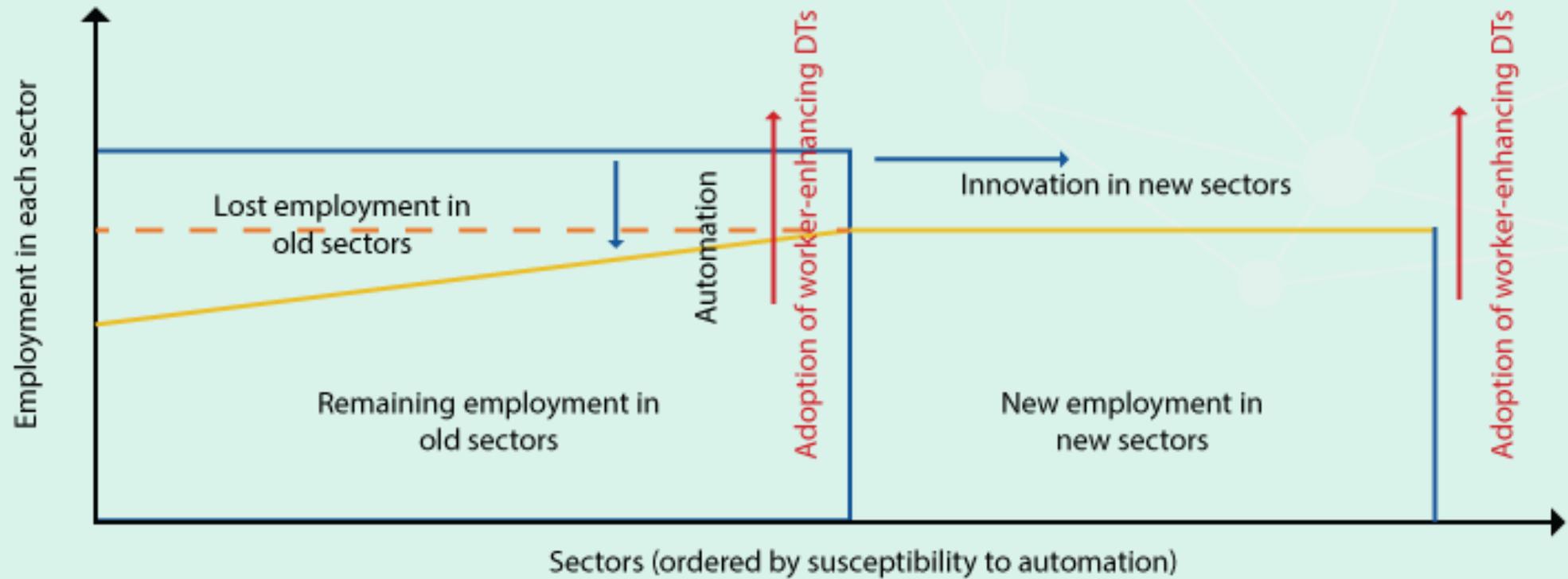
1. **Digital technologies:** Promote affordable infrastructure availability and regional harmonization
2. **Human capital:** Enable inventors & entrepreneurs to develop solutions for both the stock of low-skilled workers and the flow of youth
3. **Informality:** Shift focus from formalization to boosting productivity of informal businesses & workers
4. **Social protection:** Rebalance government & development partner spending in line with structure of labor markets



*More than 4 billion people do not have access to the Internet; 90 percent are from the developing world. Bridging the digital divide is crucial to ensure equal access to information and knowledge, and foster innovation and entrepreneurship.*

*SDG 9.*

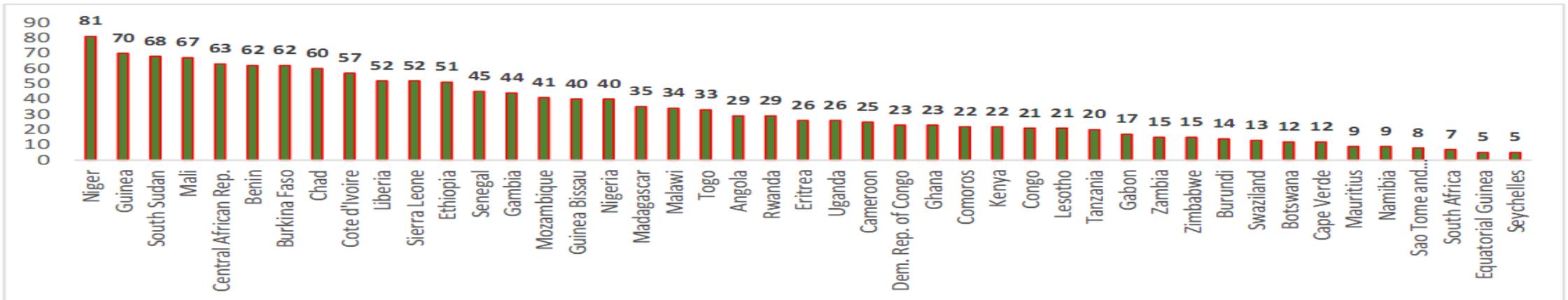
# (1) Enable Inclusive Digital Technologies



## (2) Build Human Capital

by enabling inventors & entrepreneurs to develop & scale DTs for the stock of low-skilled workers and the flow of youth to learn as they work, and for broader education—including for illiterates & innumerates

A large share of adults aged 15+ are illiterate in most Sub-Saharan African countries



## (3) Increase Informal Sector Productivity

The informal sector in SSA is large:

- roughly 90 % of total employment
- mostly in agriculture
- comprises large & small firms

Focus policies on:

- promoting skills upgrading and productivity of small informal farms and firms, and informal workers
- targeting larger informal firms that aggressively compete with formal firms with formalization policies

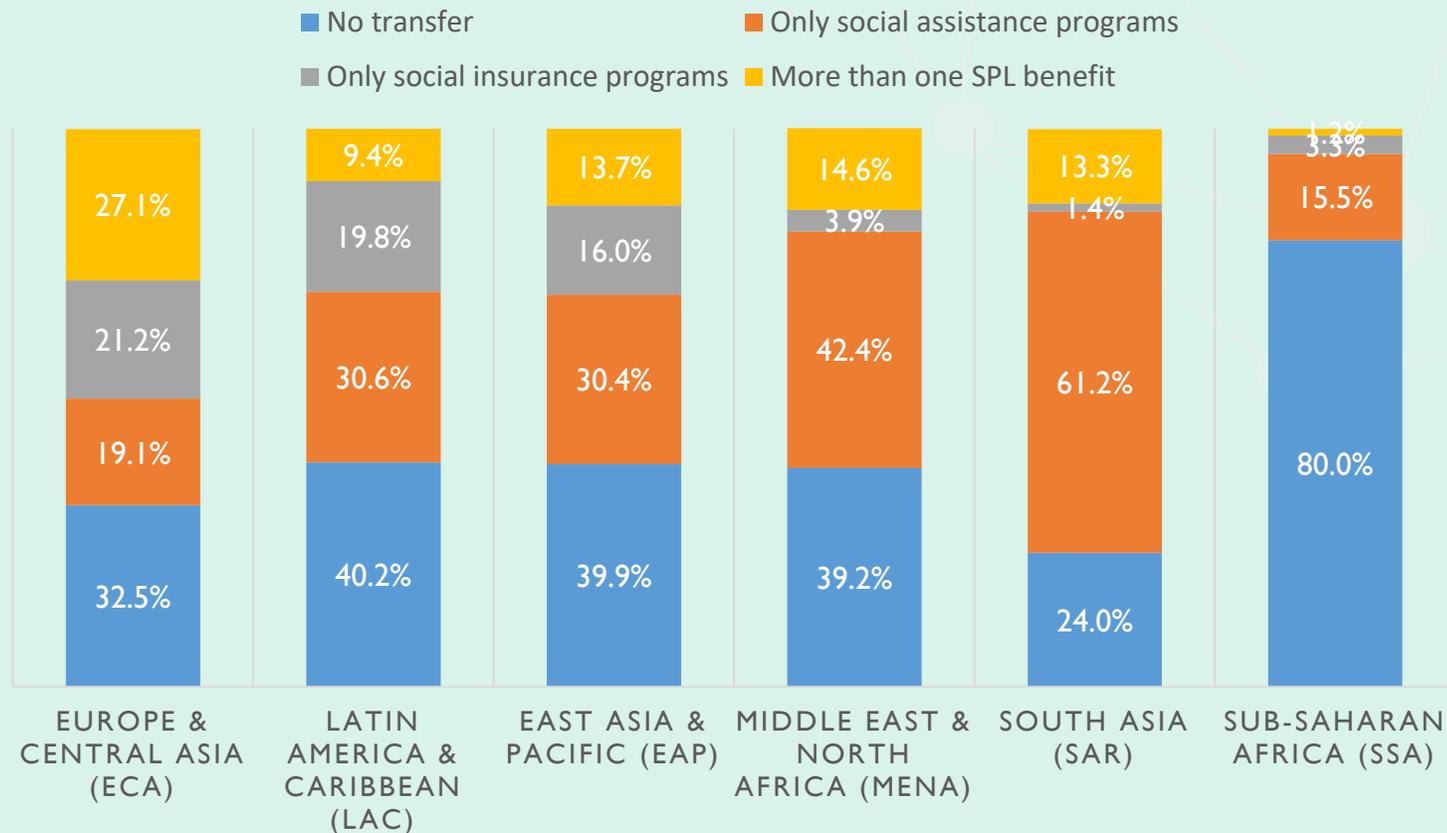
DTs can help informal businesses & workers

- increase access information and credit markets
- widen financial inclusion
- build skills
- boost productivity, output and jobs
- make formalization easier over time



## (4) Extend Social Protection Coverage

by rebalancing government & developing partner spending towards SPL benefits—in line with the structure of labor markets, to informal workers & those in transition



# What Should Governments do? The 3 Cs



## Invest in *Capital*:

- to build skills that strengthen entrepreneurial and worker human capital
- to build physical infrastructure capital, including digital infrastructure, and reliable electricity and transport



Increase *Capacity* of governments to make needed public investments in social protection:

- to allow for greater risk-taking by entrepreneurs
- to support workers in transitions between jobs



## Promote *Competition*:

- to spur and enable rival businesses (infrastructure & downstream) to adopt new technologies and expand production at affordable prices, generating demand for jobs of most skill types

## Areas for Further Research

1. The impacts of various digital technologies—especially low-skill-biased digital technologies—on net job outcomes and the composition of skills
2. How best to identify, train and empower transformational inventors and entrepreneurs
3. Assess the extent to which major development strategies for Africa at national and regional levels, such as Agenda 2063, account for and address pervasive informality.
4. Assess the effectiveness of emerging interventions that aim to extend social protection to the informal sector and the “gig economy.”
5. Identify how to improve collaboration with the private sector to design and implement effective labor market policies
6. Better leverage informal private transfers, including remittances and faith-based transfers, to serve a more effective risk-sharing and co-insurance function, especially in fragile settings

