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TOWARDS AN EMPLOYMENT-CENTRED DEVELOPMENT STRATEGY FOR POVERTY REDUCTION IN THE GAMBIA: MACROECONOMIC AND LABOUR MARKET ASPECTS*

James Heintz,** Carlos Oya*** and Eduardo Zepeda****

ABSTRACT

This paper reviews the growth, employment, and poverty record of The Gambia focusing on the macroeconomic environment and the structure and functioning of labour markets. Its aim is to identify areas where current policies can be improved or where more knowledge needs to be generated to better inform inclusive development strategies. The growth pattern of The Gambia does not appear to be pro-poor, as improvements in the rate of growth appear to have at best halted the spread of poverty. Weak productivity performance and the low quality of employment help explain the poverty record. On the macroeconomic side, an excessive emphasis on inflation reduction and reliance on monetary policy instruments that have helped sustain a high-interest rate environment, which discourages investment and employment creation. As part of an alternative policy package, The Gambia could reformulate macroeconomic policies to target growth instead of inflation, select a more effective mix of policy instruments, and pursue financial reforms to increase the supply of credit to the economy and particularly to employment-intensive activities. In addition, targeted public investments are essential for sustaining more rapid growth and improvements in employment opportunities. A review of the available evidence suggests that labour markets in The Gambia do not function in a way conducive to poverty reduction. The employment situation conforms to the typical configuration, whereby traditional activities and informality dominate rural and urban areas. The Gambia also faces high open unemployment rates in cities, particularly

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* This paper is based on a report prepared for the United Nations Development Programme office in The Gambia to assess the links between growth, employment and poverty. The report drew from a field visit to The Gambia and a review of studies conducted by development stakeholders, most of which are referred in the paper. The authors are grateful for the discussions, insights and documents provided by many people in The Gambia, too numerous to be named here. Nevertheless, we wish to acknowledge the key support and contributions of Mamour Jagne and Vitalie Muntean of UNDP-The Gambia, the Department of State for Trade, Industry and Employment, the Gambian Bureau of Statistics (particularly Abu Camara), and the staff and members of the Gambia Chamber of Commerce and Industry. We benefited from the invaluable advice and inputs of Alhaji Alieun T. Njie and the excellent research assistance of Omar Njie and Celio da Silva Junior. Gustave Nebie and Degol Hailu provided comments and recommendations that greatly improved the paper. The authors are responsible for any remaining mistakes in the paper. The views expressed in this paper are those of the authors and do not represent in any form those of the institutions in which they work.

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among the youth. Measures to increase the labour mobility of the poor are urgently needed. The Gambia has benefited from a rapid increase in literacy and basic education, although more progress is needed to improve the quality of education and, particularly, to provide comprehensive training that adequately meets the demand for skilled labour. Finally, there is an urgent need to overhaul labour institutions with the aim of improving labour conditions, reducing labour segmentation and improving knowledge systems.

1 INTRODUCTION

Reducing poverty in The Gambia remains a formidable challenge. Although growth has improved in recent years, the available evidence suggests that better economic performance has not translated into poverty reduction. The second poverty reduction strategy paper (PRSP II) recognizes the disjuncture between the country's record on economic growth and progress in reducing poverty:

> "… since 1994 when The Gambia launched its first strategy for poverty alleviation (SPA I), poverty reduction continues to be evasive with the proportion of people living in poverty rising. Also poverty studies conducted in 1998 and 2003 indicate that in addition to increase in the prevalence and severity of poverty, inequality is also on the increase." (Republic of The Gambia, 2006, p. 24).

Strong economic growth is necessary, but not sufficient, for sustainable poverty reduction. In order for poverty reduction strategies to be successful, the poor must share in the benefits of growth.

Most Gambians depend on employment for their primary source of income. Moreover, the productive resource which poor households command in abundance is their own labour. Therefore, improving employment opportunities and raising the returns to labour can lead to poverty reduction and progress towards meeting broader human development objectives, such as those reflected in the Millennium Development Goals (MDGs).

Simply having access to employment is not sufficient. Many employed Gambians do not earn enough to lift their families out of poverty. Therefore, reducing poverty requires a joint emphasis on the quality and quantity of employment. Research shows that the greater the employment focus, the more effective economic growth becomes in fighting poverty (Khan, 2006). Economic growth alone can not be counted on to generate significant improvements in the quality and quantity of employment opportunities (Osmani, 2006). What is needed is an employment-centred approach to growth and development, one that emphasizes the creation of economic opportunities that the poor can access and that provide a return to their labour sufficient for raising households out of poverty.

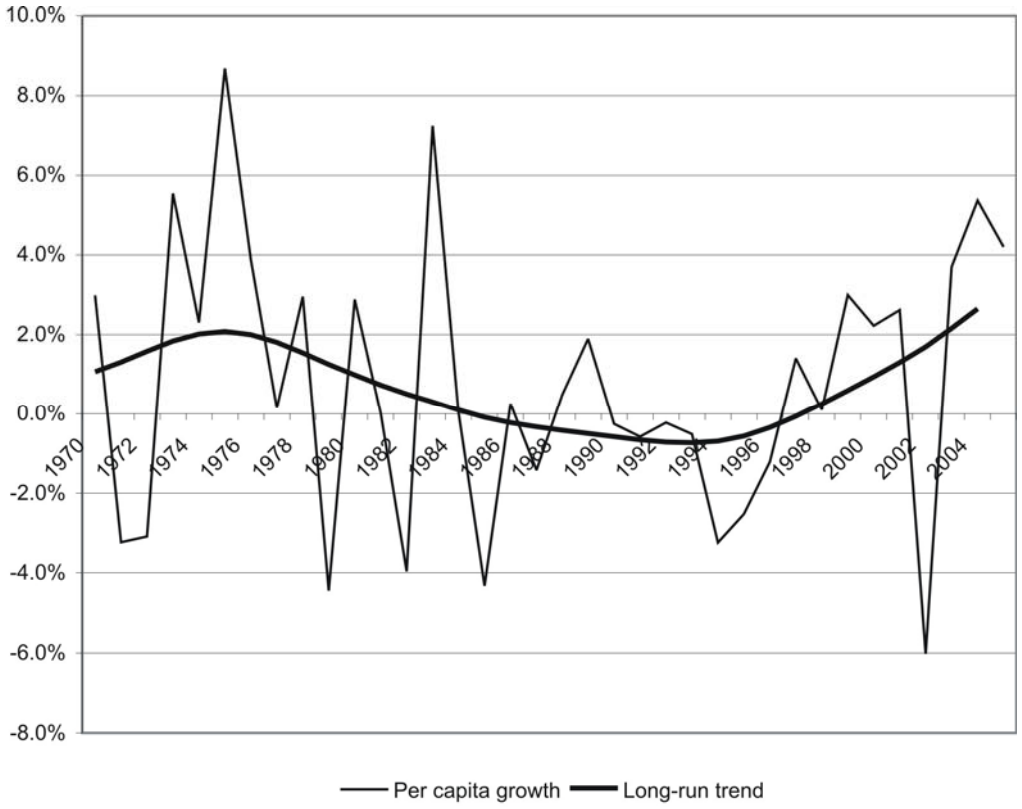
This suggests that rapid and sustained reduction of poverty in The Gambia require the confluence of three factors: sustainable growth at high levels, the improvement of employment opportunities, and greater access to jobs for the poor (Osmani, 2006). The Gambia Priority Employment Programme, known as GAMJOBS (Government of Gambia 2006) recognizes the need to orient development strategies towards the provision of decent livelihoods and supplies a framework for implementing the National Employment Policy (NEP) and Action Plan (NEAP) formulated by the Government of Gambia (2001). This paper, in the spirit of these existing initiatives, examines policies which would support an employment-

centred, and thereby poverty-reducing, growth path for The Gambia that could distribute the benefits of the country's improved economic performance more broadly.

In the past, The Gambia has suffered from poor economic performance which has contributed to high and, by some indicators, rising levels of poverty. From the mid-1980s to the end of the 1990s, estimates of long-run per capita growth have been negative on average (Figure 1). Over the past several years, economic performance has improved. However, high levels of sustained growth for many years into the future are required to overcome the legacy of a decade and a half of regressive economic performance.

FIGURE 1

Growth of Per Capita GDP, The Gambia 1970-2005



Source: World Development Indicators 2006. Central Bank of The Gambia.

Note: The long-run trend was derived by applying a Hodrick-Prescott filter to the annual per capita growth rate.

As mentioned above, we need to be concerned with both the quality and quantity of employment. The level of labour productivity determines the prevailing returns to labour and the income which employment generates. Therefore, in the long-run, the scope for sustainable improvements in the average quality of employment will be circumscribed by The Gambia's productivity performance. Labour productivity trends are difficult to trace due to a lack of reliable employment data over time. However, we can examine labour productivity trends under two scenarios which make different assumptions about the level of unemployment.[1]

If we first make the simplifying assumption that unemployment rates remained constant throughout the period between 1990 and 2005, aggregate labour productivity would have fallen on average during these years. Assuming instead a rising trend in unemployment from 5 per cent

to 10 per cent, there would have been a modest upward trend in aggregate labour productivity. These stylized examples suggest that economic performance has not been strong enough to both absorb new entrants into the labour force and raise average productivity.

Approximately half of all employment in The Gambia is found in the agricultural sector, even though agriculture accounts for just 31 per cent of GDP.[2] Therefore, in terms of household livelihoods and living standards, agriculture is critically important. Trends in agricultural value-added per worker indicate that agricultural productivity began to decline in the early 1980s in absolute terms (see appendix). Despite the negative shock in 2002, there is evidence of a partial recovery in agricultural productivity after 1998. Nevertheless, the estimated value added per worker in agriculture currently remains below the level that prevailed during much of the 1970s. Stagnant productivity growth in agricultural activities limits earnings from agriculture and constrains sustainable improvements in rural living standards. If the trends discussed here represent an accurate picture of the dynamics of agricultural productivity, they suggest that The Gambia's rural population would not have shared in the benefits generated through the recent improvement in economic growth.

The Gambia appears to have reached a turning point with higher rates of growth representing a departure from the years of economic stagnation. Nevertheless, long-run growth rates appear to be insufficient to both raise labour productivity and to provide opportunities to a growing workforce—sustained rapid growth is needed. In addition, steps must be taken to insure that economic growth creates improved employment opportunities. The challenge is to sustain the momentum of the past few years of rapid growth and to accelerate the pace of improvements so as to promote better employment as a foundation for human development and poverty reduction. The right policy environment is essential to achieve this goal.

This paper examines two aspects of the Gambian economy that must be taken into account in any strategy aimed at fostering inclusive, employment-centred growth: (1) macroeconomic policies and performance and (2) the structure of employment, the labour force, and existing labour market policies. The goal is to identify areas where poverty-reducing employment policies can be improved or areas where more knowledge needs to be generated to better inform inclusive development policies.

We emphasize macroeconomic management because it encompasses a set of policy instruments that are crucial for creating an environment conducive to the improvement of employment opportunities. Macroeconomic policies represent a subset of what are often called "horizontal policies"—i.e. broad-based initiatives that aim to improve economic performance but are not targeted at specific sectors or activities. This is not to suggest that targeted policies ("vertical policies")—e.g. to promote tourism, encourage horticultural exports, reduce the volatility of groundnut production, etc.—have no role to play in an employment-centred development strategy. However, such productive sector policies have been discussed at length elsewhere (e.g. in the PRSP II) and are not a focus of this paper.[3]

As discussed earlier, it is not enough to create new employment—the poor must be able to take advantage of these opportunities as they arise. Barriers to economic mobility may prevent an employment-focused policy of being sufficiently "pro-poor." We need to understand the structure of employment, the characteristics of the labour force, and the functioning of labour markets to identify possible constraints to labour mobility and factors which keep average returns to labour low. Therefore, the second section of this paper focuses on these issues.

Although the paper discusses macroeconomic and labour market policies to support the improvement of employment opportunities in The Gambia, it is not meant to represent a fully articulated employment strategy for the country. Instead, our aim is a modest one—to identify critical issues and policy areas that would need to be addressed in a national employment strategy. In this regard, this paper could feed into discussions for developing a comprehensive approach to 'pro-poor' employment policies in The Gambia.

The analysis in this paper was informed by interviews with policy makers, government officials, private sector representatives, researchers, and civil society groupings which were undertaken in a week-long field visit to Banjul in 2007. In addition, the research team reviewed policy documents and conducted an independent analysis of available macroeconomic, poverty and employment data. The findings of the fieldwork and the data analysis form the basis of the policy discussions and recommendations contained in this paper.

The paper is organized as follows. Section II reviews the economic performance of The Gambia and discusses the major macroeconomic policies shaping it. Section III discusses poverty, labour markets and the structure of employment, covering a variety of issues ranging from the links between poverty and employment, the main characteristics of unemployment, and under-employment. The section also discusses the peculiarities of the supply and demand for labour, including labour skills, migration and labour institutions. Section IV offers concluding remarks and policy recommendations for employment creation and poverty reduction.

2 MACROECONOMIC PERFORMANCE AND POLICIES

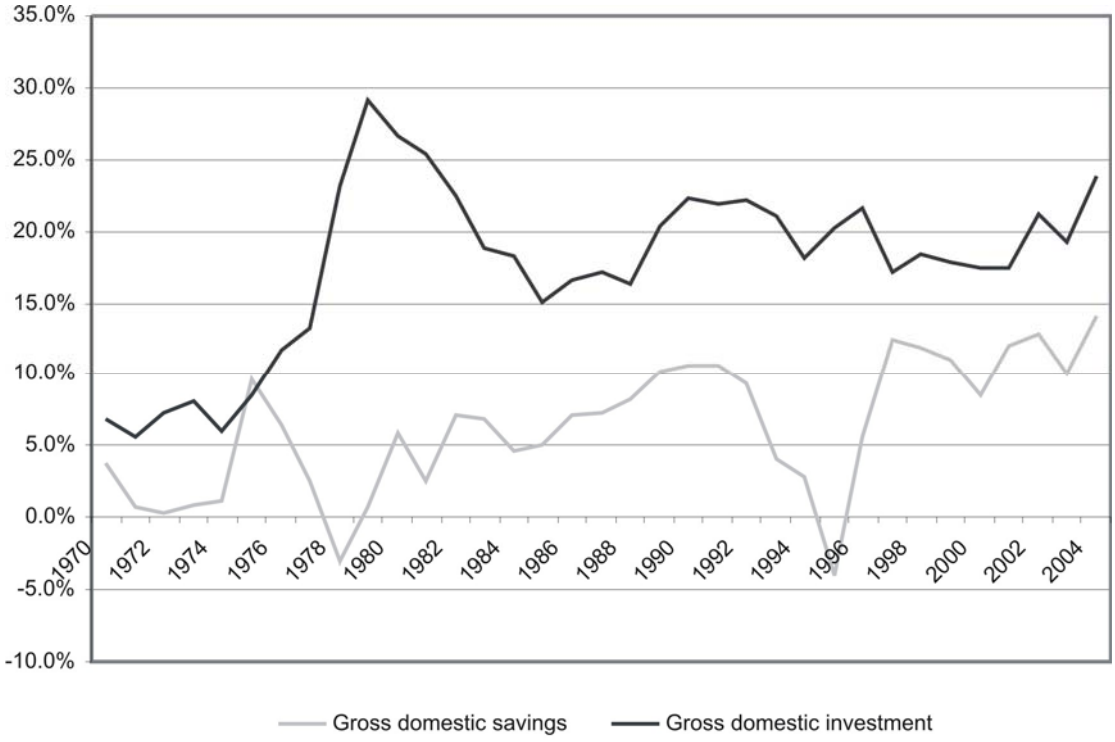
We have already discussed The Gambia's growth record over the past few decades (Figure 1). During this period, the growth rate of per capita income has been subject to wide fluctuations that continue to the present day. Because of the volatility of economic growth, it is helpful to estimate a long-run growth trend in order to assess the underlying economic trajectory hidden by short-run fluctuations. The long-run trend reveals reasonably strong economic performance in the early 1970s. However, beginning in the mid-1970s, The Gambia entered a period of declining growth rates for nearly two decades and, as we have already discussed, long-run growth was negative for many years during this period of stagnation. Economic performance reached a low point in the early 1990s, which were years of heightened political uncertainty, including the 1994 *coup d'état*.[4] Over the past 10 years, there is evidence of a turn-around despite the dramatic drop in economic growth in 2002, when groundnut production fell significantly due to crop failure. Currently, long-run growth rates are among the highest in The Gambia's post-independence history.

Estimates of gross investment in fixed capital suggest that productive investment has remained steady as a share of GDP during the past two decades (Figure 2). Gross investment as a per cent of GDP has hovered around 20 per cent during much of this period. Interestingly, investment as a share of GDP does not show an upward trend during the past 10 years despite the noticeable improvement in the long-run per capita GDP growth rate. Therefore, improvements in GDP growth were not driven by higher rates of fixed capital investment. Estimates of the level of domestic savings almost always fall significantly below the level of domestic investment. This indicates that, throughout its post-independence history,

The Gambia has relied on foreign savings to support its domestic investment. Although the saving gap appears to have narrowed somewhat in recent years, capital accumulation in the country continues to depend on foreign savings.

FIGURE 2

Gross Domestic Savings and Investment as Per Cent of GDP, The Gambia 1970-2004

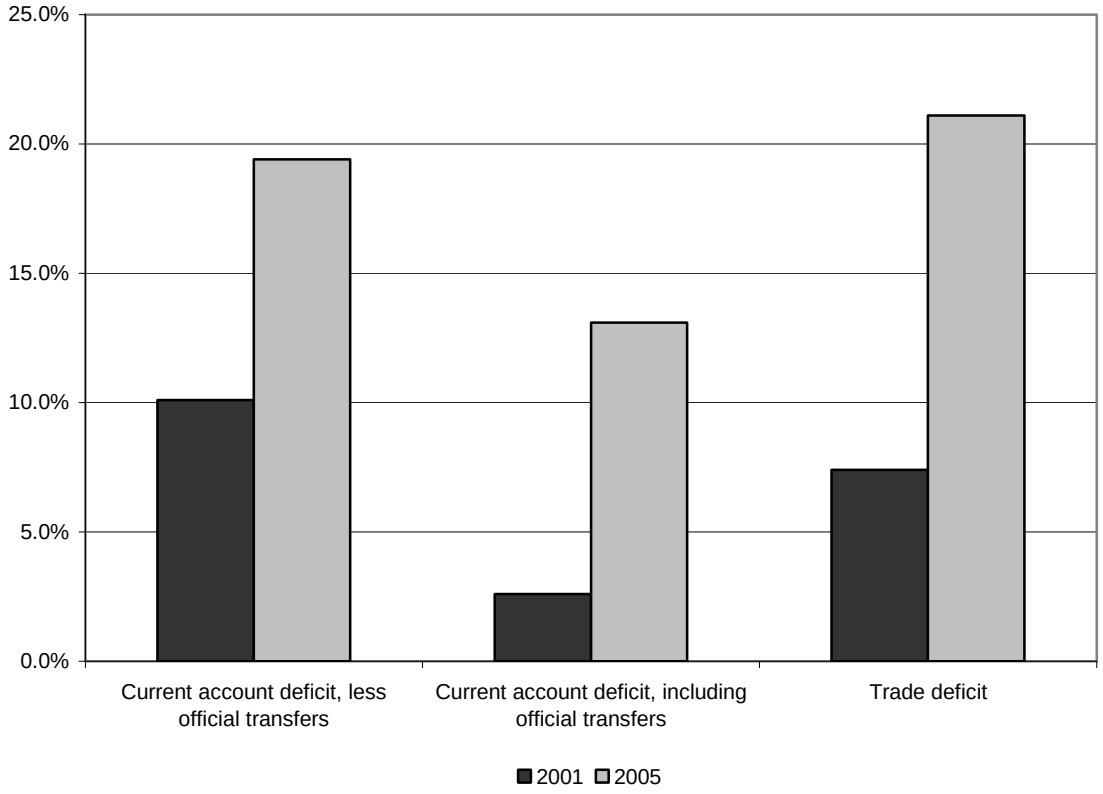


Source: World Development Indicators 2006.

The Gambian economy relies on foreign resources—foreign savings to finance domestic investment, imported capital goods, external borrowing, and official development assistance (ODA). Managing the external balance of payments is therefore central to overall economic performance. Figure 3 presents official data on The Gambia's current account balance in 2001 and 2005. The Gambia has a pronounced current account deficit which is partially off-set by ODA transfers. The current account deficit appears to be structural—that is, it persists over time and is not caused by short-term movements in inflows and outflows.[5] One contributing factor is The Gambia's reliance on imported commodities and the absence of strong export performance, creating a structural trade deficit. Both the trade deficit and the current account deficit increased significantly from 2001 to 2005. However, a large portion of this increase is most likely temporary. The Gambia received unprecedented inflows of foreign direct investment which were accompanied by large increases in imports in 2004 and 2005 (e.g., building materials for investment in new foreign owned hotels). In this case, the growth in the current account deficit was financed by FDI inflows rather than greater borrowing.

FIGURE 3

Current Account and Trade Deficits as Per Cent of GDP, The Gambia



Source: Central Bank of The Gambia.

The trends and patterns highlighted here are not meant to provide a comprehensive picture of The Gambia's macroeconomic situation. Instead, they provide a backdrop to more in-depth discussions of three areas of macroeconomic policy: monetary policies, exchange rate management, and fiscal policies. As already pointed out, there are indications that economic performance has been improving in recent times: per capita growth is higher, agricultural productivity shows signs of recovery, and foreign direct investment—not simply debt and ODA—has supplied much needed external financial resources. However, the Gambian economy is volatile and gains may disappear as quickly as they are realized. Therefore, macroeconomic policies must support sustainable development in The Gambia if long-term benefits are to be realized.

MONETARY POLICY AND THE FINANCIAL SECTOR

According to the 2006-2010 Strategic Plan of the Central Bank of The Gambia, two of the primary goals of monetary policy are to maintain stability in the domestic price level and the value of the Dalasi. Specifically, the current medium-term macroeconomic framework (2005-2008) targets inflation rates between 3-5 per cent. The PRSP II presents projections of future inflation rates from 2007 to 2011 that fall within or, in the example of a more optimistic macroeconomic scenario, below this range (Republic of The Gambia, 2006, Tables 17A and 17B). The Central Bank formulates monetary policy with the ultimate objective of keeping inflation in the lower single digits. Its intermediate target for daily operations is the control of the growth rate of the money supply. Specifically, the Central Bank's monetary policy targets the growth rate of

broad money. In order to influence the growth rate of broad money, the Central Bank aims to control the growth rate of a narrower monetary category denominated as "high-powered money," "narrow money," or M1 (where M1 consists of reserves in the banking system plus currency in circulation).

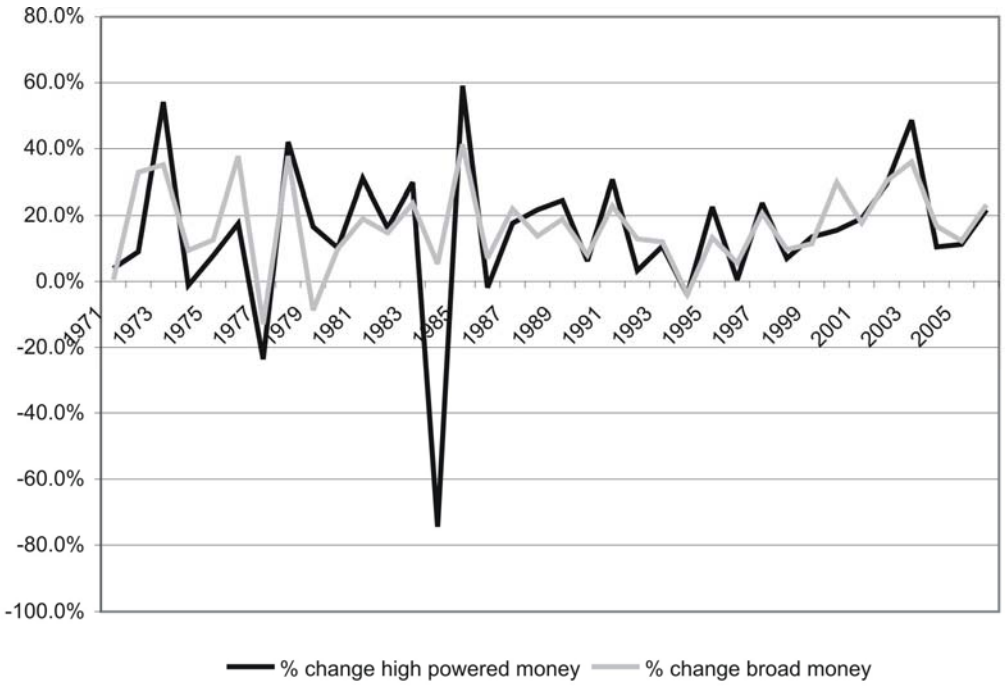
The Central Bank influences the growth rate of M1 through open market operations—buying and selling short-term government treasury bills. Such open market operations impact interest rates on short-term government securities. For example, in order to reduce the growth rate of M1, the Central Bank sells treasury bills. In order to encourage the banking sector to hold the additional treasury bills, the yield on treasury bills would need to rise. In addition, the growth of monetary aggregates—such as M1 or broad money—is assumed to have a direct impact on the domestic price level. Therefore, by controlling the growth of monetary aggregates, the Central Bank aims to achieve price stability. In practice, the Central Bank establishes a growth rate for reserve money that it deems consistent with low inflation, with the idea that this reserve money target will in turn lead to a growth rate of broad money that is consistent with low inflation and adequate liquidity in the private sector.

The relationship between M1 and broader categories of money supply is frequently imperfect. If individuals shift their financial assets out of the banking system in order to invest in other types of assets (e.g., real estate, capital markets), broad money may decline even if M1 is stable or increasing (see Pollin, Githinji, and Heintz, 2008 for an example of this in the case of Kenya). Much depends on the availability of stable financial assets that are substitutes for bank holdings. Despite this possibility, in The Gambia, the relationship between the growth of M1 and the growth of broad money is quite close. Figure 4 charts the growth rate of the two monetary aggregates. From the figure, it is clear that both types of money move together.[6] As the financial sector develops and a more diverse array of financial assets becomes available, this tight relationship may deteriorate. If the link between reserve money and broad money supply were weakened, a new approach to monetary policy, with different short-run targets, would be warranted.

The current close relationship between the growth rate of M1 and broad money indicates that the Central Bank's approach to influencing the growth of the broad money supply by targeting M1 growth may still be reasonable, given the level of financial development in The Gambia. However, the relationship between the growth rate of broad money and the inflation rate, as measured by the per cent change in the consumer price index, is weaker. Figure 5 shows the growth rate of broad money and the inflation rate for The Gambia from 1971 to 2005. In general, there is no evidence of a clear, stable relationship between the growth of broad money and inflationary dynamics in The Gambia—at least in the range of values evident in the country's recent history.[7] The relationship between broad money and inflation appears to have been tightest in the 1980s to the early 1990s. Specifically, there appears to be evidence that higher money supply growth rates are associated with higher future inflation rates. However, in the 1970s and from 1994 to the present, the relationship is much less clear, even taking into account the lagged impact of money supply growth on inflation. Although the Central Bank appears to be able to influence monetary aggregates through its policy tools, these same tools may be of limited use in controlling inflation, giventhe nature of price dynamics in the country. In particular, contractionary monetary policy may not be effective at maintaining inflation rates in the low single digits, even though very rapid expansions of the money supply have been associated with higher rates of inflation, particularly in the mid-1980s.

FIGURE 4

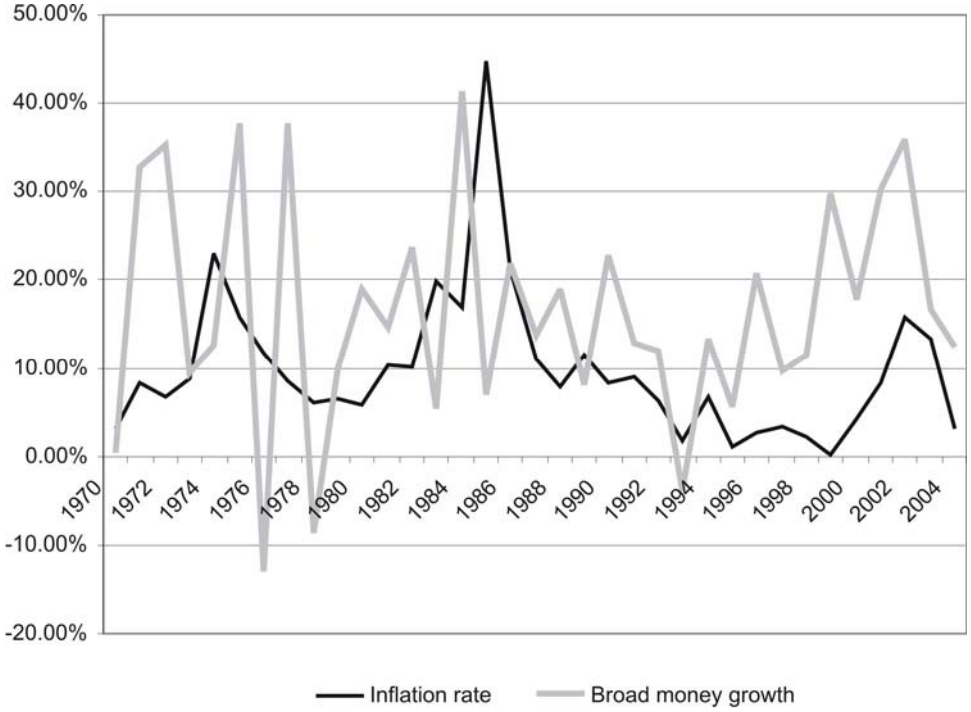
Growth Rates of High Powered Money (M1) and Broad Money, The Gambia, 1971-2006



Source: International Financial Statistics, June 2007.

FIGURE 5

Inflation and the Growth of Broad Money, The Gambia, 1971-2005



Source: International Financial Statistics, June 2007.

The source of inflationary pressures in The Gambia explains the relatively weak relationship between the growth of monetary aggregates and the rate of inflation. In many cases, inflationary pressures come from supply-shocks that affect key prices, such as food and energy. For example, in the Monetary Policy Committee Press Release of the Central Bank of The Gambia issued in June 29, 2007, the Committee acknowledges that recent inflationary pressures are partly a result of increases in food prices. However, monetary aggregates influence the domestic price level through demand-side effects on purchasing power. If inflationary pressures originate from supply-side shocks, changes in the growth rate of broad money will have a limited impact on inflation dynamics.

Moreover, reducing the growth rate of broad money in the face of supply-side inflation can worsen the overall economic situation. Inflationary supply-side shocks often have a negative impact on real economic growth. Therefore, reducing liquidity and raising interest rates may discourage economic growth exactly when it would be beneficial for the Central Bank to offset the negative supply-side shock through a more relaxed monetary stance. In other words, the reduction in liquidity during an economic downturn may worsen growth performance instead of reigning in inflationary pressures.

Inflation rates in The Gambia have not been excessive over the past several decades, although they frequently exceeded the 3-5 per cent range currently targeted (Figure 5). With the exception of a rapid, albeit short-lived, increase in inflation in the mid-1980s, when the exchange rate depreciated significantly, measured inflation has rarely edged above 20 per cent. From the 1990s to the present, inflation has tended to remain in the single digits. Several research studies suggest that inflation rates within this range (e.g. up to 12-15 per cent) are consistent with long-run economic growth (Bruno and Easterly, 1998; Pollin and Zhu, 2006). Unlike many other developing countries that experienced episodes of hyper-inflation, The Gambia has generally enjoyed a climate of relative price stability.

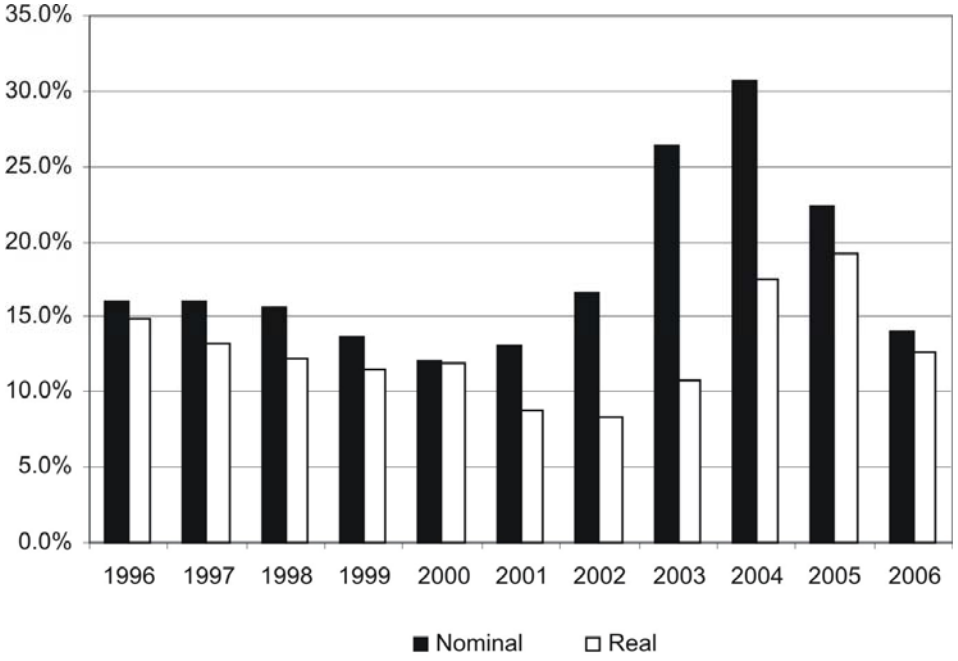
One of the costs of pursuing a tight, low-inflation monetary policy is that real interest rates would need to increase, thereby reducing investment and consumer spending. Therefore, maintaining very low rates of inflation may entail large costs and relatively few benefits. Figure 6 shows nominal and real (i.e., inflation-adjusted) interest rates on short term treasury bills. Real interest rates are markedly high in The Gambia. There is evidence of some downward movement in real interest rates in 2000-2001 but this trend has since reversed itself. The inflation rate increased after the 2002 supply-side economic crisis and this was accompanied by a rise in real treasury bill rates—an example of tight monetary policy accompanying a negative real economy shock. Such high interest rates make credit prohibitively expensive to support the expansion and improvement of many small-scale, labour-intensive activities. Under these circumstances, an alternative approach to monetary policy—one that targets short-term interest rates at a level consistent with long-run economic growth—would be desirable.

Not only are real lending rates high in The Gambia, the spread between deposit and lending rates is wide and has been increasing in recent years. Figure 7 illustrates the spread (i.e., the difference) between the lending interest rate and the deposit interest from 1978 to 2006. Several factors contribute to the large spread between deposit and lending rates. Concentration in the domestic banking sector and weak competitive pressures may yield high lending rates and low deposit rates due to monopolistic pricing practices. In addition, a high risk premium will raise average lending rates for borrowers. High risk premiums are frequently

the result of a variety of problems, such as: excessive economic volatility, lack of good information systems on potential borrowers, inaccurate assessments of lending risk by formal financial institutions, and weak monitoring and enforcement mechanisms.

FIGURE 6

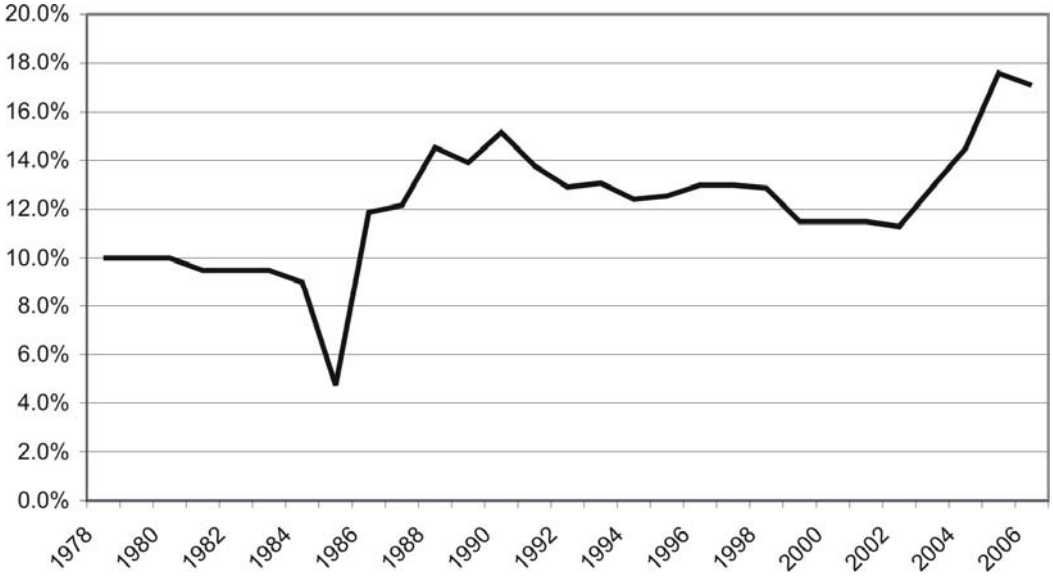
Treasury Bill Rates, Nominal and Real, Gambia 1996-2006



Source: International Financial Statistics, June 2007.

FIGURE 7

Spread Between Lending Rates and Deposit Rates, Gambia 1978-2006

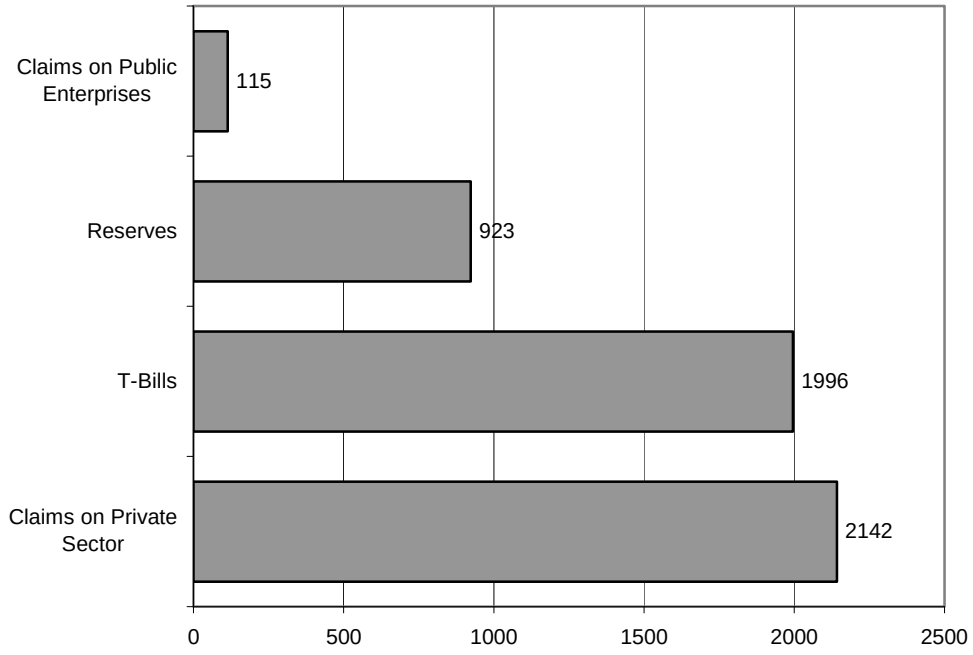


Source: International Financial Statistics, June 2007.

The large spreads evident in The Gambia are the result of institutional constraints in the financial sector. The existence of large risk premiums and the high real interest rates on treasury bills creates a situation in which resources are available in the banking sector to extend credit to private sector activities, yet such loans are not made available. The reason is straight-forward: given the choice between holding government securities with high, relatively risk-free rates of return or extending risky loans to private sector producers, incurring the associated transactions costs, the banking sector tends to hold treasury bills. Figure 8 shows the average asset portfolio of the banking sector in The Gambia during 2006/7. The banking sector holds nearly an equivalent amount of treasury bills as it extends in loans to the private sector. In other words, the banking sector currently has resources to nearly double its current levels of lending to support domestic investment, which could be targeted at employment-intensive activities.

FIGURE 8

Assets of Deposit Money Banks, Gambia (Average May 2006-April 2007), Millions of Dalasis



Source: Central Bank of The Gambia.

This discussion raises an important issue: whether the effectiveness of monetary policies may be constrained by institutional factors. If the banking sector does not extend credit to appropriate sectors, then an expansionary monetary policy may not have the desired effect in the absence of financial sector reform. By financial sector reform we mean changes to the regulatory and institutional environment in which banks operate which would more effectively mobilize scarce financial resources for development. Similarly, monetary policy operating in isolation will not be able to manage inflation constructively if price dynamics are driven by supply-side factors. Other policy tools—such as, investments in efficiency-enhancing transport and storage infrastructure—are frequently more important for addressing adverse supply-side price shocks. Similarly, government-initiated programmes to improve creditworthiness by developing better business planning, financial management and book-keeping skills have a role to play.

Therefore, the appropriate monetary policy for The Gambia is conditional on the other economic reforms that are undertaken. The current monetary policy framework—targeting monetary aggregates to reduce inflation to the low single digits—may be operational in the current institutional context. However, the current framework will not realize the potential of less restrictive monetary policies administered within the context of a broader development strategy that strives to relax core structural and institutional constraints. In addition, the improved rates of growth which The Gambia has realized in the recent past may not be sustainable because they depend on foreign savings and current policies inhibit the mobilization of domestic sources of investment. Only by improving domestic investment would a sustainable foundation be created to maintain the country's improved growth performance in the long run. Without coordination across policy areas, the scope of macroeconomic policy will be limited to stabilization and will not be extended to supporting sustainable development.

Specifically, steps could be taken to improve the amount of credit directed towards employment-intensive activities. As mentioned previously, employment in The Gambia is concentrated in agricultural and informal activities. But substantial risk premiums, information problems, high transactions costs, and a lack of incentives within the banking sector limit credit availability. Moreover, growth in some activities in the formal sector, such as tourism development, may also provide new employment opportunities. Policies can be implemented to improve credit access in priority areas. Public loan guarantees can reduce risk premiums; information systems can be improved, lowering transactions costs; and incentives can be put in place to encourage banks to shift away from short-term government securities and towards developmental loans. Not only would such interventions improve credit availability, they would also enhance the ability of monetary policy to support development objectives.

In addition, links can be forged between the commercial banking sector and other financial institutions which are able to service small-scale and own-account producers. Commercial banks are often well-situated to mobilize deposits and other financial resources but they may not be efficient at administering small-scale credit programs. Other tiers of the financial sector are better situated to serve this population. For example, in 2006, VISACA (Village Savings and Credit Associations) and credit unions served over 66,000 clients and extended over D93 million in loans.[8] By building stronger links between the various tiers of The Gambia's financial system, resources could be deployed more successfully to accelerate private sector development.

Development finance policies need not be limited to efforts to get the formal commercial banking sector to play a more active development role. Development banks—specialized public institutions that have been capitalized by government—have played an instrumental role in the industrial development of many countries. There is a need to re-examine the potential of development banks in African countries such as The Gambia as a proven institutional channel for allocating resources to support employment-enhancing investments and other development objectives.

The potential of development banking is made clear by Alice Amsden in her seminal work *The Rise of the Rest: Challenges to the West from Late-Industrializing Economies.* Amsden begins her analysis with the general observation that:

> "The state's agent for financing investment was the development bank. From the viewpoint of long-term capital supply for public and private investment, development banks throughout "the rest" were of overwhelming importance," (2001, p. 127).

Amsden goes on to document the pivotal role of development banking in Mexico, Chile, Korea, Brazil, and Indonesia. In many of these countries, development banks helped to finance between a fifth and a half of all fixed capital investment. Since developmental investment generates benefits that extend well beyond private profitability, development banks can play a key role financing activities in which the private financial sector would otherwise under-invest.

Development finance works by channelling resources to priority areas. In essence, it performs a credit allocation function. Credit allocation policies often have a bad reputation in many African countries. In many cases, credit allocation policies have been inefficient, hindered by favouritism and rent-seeking, and biased towards large-scale producers (Mkandawire, 1999). However, these problems are not inherent to credit allocation policies. They reflect the process whereby credit allocation has taken place in the past. With appropriate governance institutions in place, development finance has enormous promise for contributing to the realization of an employment-oriented growth path.

Although this section has highlighted some alternative approaches to monetary and financial sector policies, we recognize that The Gambia is constrained by the IMF programmes under which the country is currently operating. The stipulations of the IMF programmes may limit the flexibility the country has in pursuing alternative macroeconomic strategies with different developmental objectives (e.g. employment creation as opposed to maintaining inflation in the lower single digits). This does not invalidate a discussion of alternative approaches, but it may limit the scope available for implementing the ideas outlined here. There is a real need to open the debate about the most appropriate macroeconomic policies to support a country's long-run development objectives.

EXCHANGE RATES AND TRADE

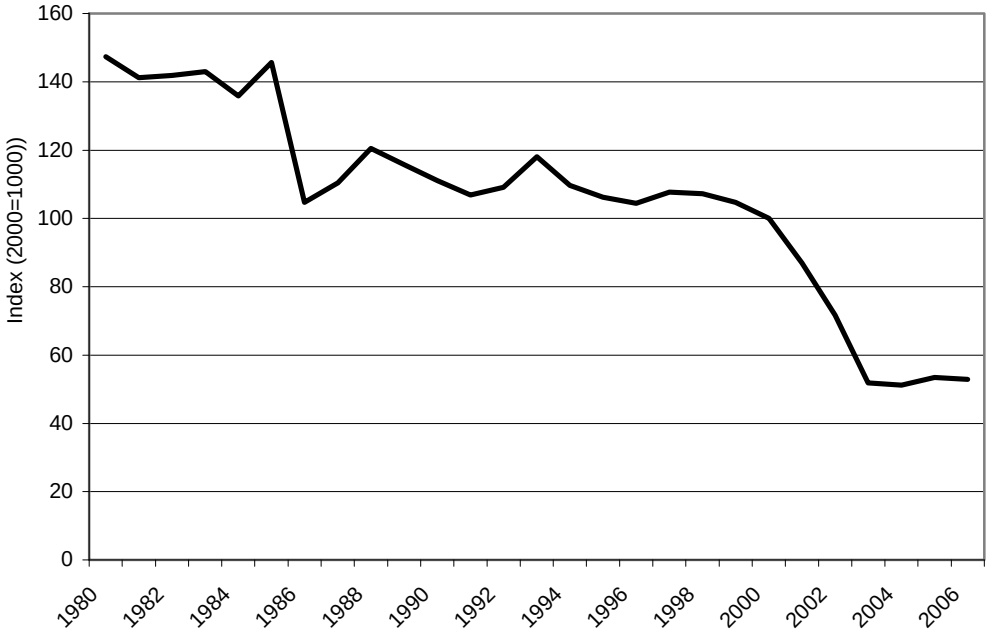
The Gambia's floating exchange rate regime was first introduced in 1986 as part of the country's structural adjustment program.[9] Prior to floating the Dalasi, the regime was significantly more interventionist in nature. Persistent balance of payments problems—including critical reductions in foreign exchange reserves—were behind the decision to float. Before the floating exchange rate regime was introduced, a series of managed devaluations were implemented in the early 1980s in an attempt to address the perceived overvaluation of the Dalasi. These efforts were not deemed successful and the current market-driven exchange rate policy was adopted.

The nominal exchange rate exhibited a dramatic devaluation from the early- to the mid-1980s (see appendix). The decline in the value of the Dalasi triggered domestic inflationary pressures (see Figure 5, above). The increase in domestic prices meant that the real exchange rate did not exhibit the same depreciation as the nominal rate. However, the real exchange rate did depreciate modestly when the Dalasi was floated in 1986.

Beginning around 2000, the nominal exchange rate experienced a milder depreciation. In this case, the real exchange rate declined along with the nominal rate. Although inflation accelerated with the nominal depreciation of the exchange rate, it was not significant enough to offset a decline in the real rate. Figure 9 shows this trend in the real exchange rate index.

FIGURE 9

Real Exchange Rate Index, The Gambia (1970-2006)



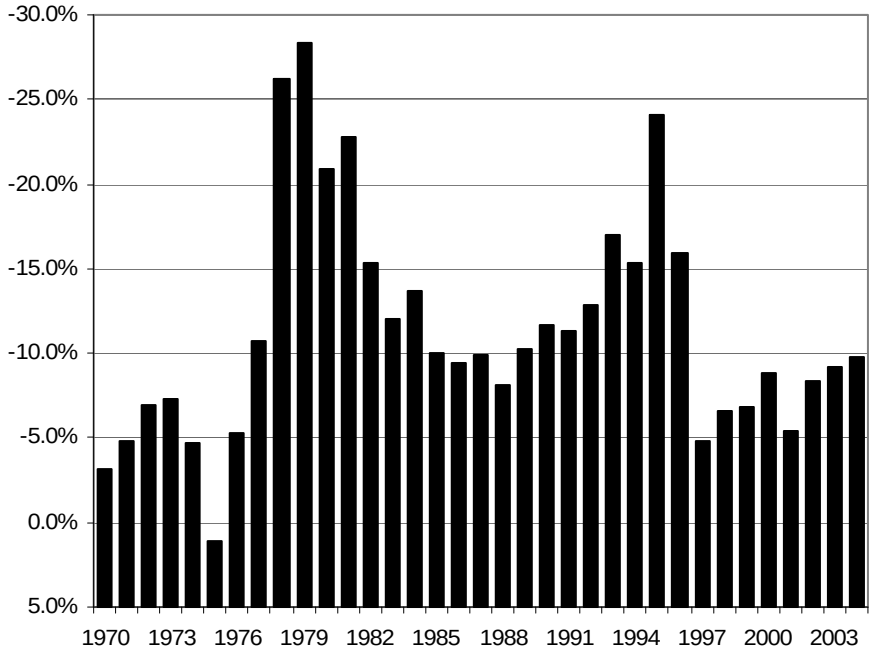
Source: International Financial Statistics, June 2007.

These two depreciations of the real exchange rate corresponded with an improvement in The Gambia's net export position—that is, in the value of exports less the value of imports (Figure 10). In both cases, the improvement in the trade balance was primarily due to a reduction in imports rather than a significant increase in exports. The fact that improvements in the trade balance have been associated with a more competitive real exchange rate raises the possibility that targeted exchange rate policies could be used to improve The Gambia's external balance.[10] Specifically, interventions into the foreign exchange markets could be used to maintain the value of the Dalasi at level consistent with a competitive real exchange rate. This differs from the exchange rate interventions pursued in the past which (unsuccessfully) tried to fix the value of the Dalasi. Instead, exchange rate interventions would be applicable only if an excessive appreciation of the real exchange rate were evident. Such an approach would involve moving from a floating exchange rate regime to a partially managed regime.

The PRSP II recognizes that "exchange rate movements are an important dimension of the traders' business environment" (p. 48). For some priority export sectors—e.g. the emerging horticultural sector—a properly aligned exchange rate will be of critical importance in supporting the sector's competitiveness. However, the PRSP II does not discuss in detail the appropriate exchange rate policy that would support The Gambia's development strategy. Stability of prices and controlling the money supply growth rate are the only policies mentioned with regard to the exchange rate. These policy tools may not be sufficient for creating the type of economic environment conducive to sustained improvements in employment opportunities.

FIGURE 10

Net Exports as a Per Cent of GDP, The Gambia, 1970-2004 (Vertical Axis Reverse Scale)



Source: World Development Indicators, 2006.

There are several reasons to consider an active foreign exchange policy. First, in recent years, several middle income countries with floating exchange rates have experienced appreciations in their real exchange rates, with negative consequences for economic performance. Tight monetary policy has kept inflation low but, in some cases, has led to increases in real interest rates and an appreciation of the nominal exchange rate. Under these conditions, there is a risk that the real exchange rate will appreciate and the country's competitive position will suffer despite low domestic inflation rates—in the context of purely market determined exchange rates. Currently, this does not appear to be a problem for The Gambia but it could emerge as an issue in the future.

Second, improvements in the net export position support an employment-intensive growth path. In many cases, export-oriented sectors are also labour-intensive. Moreover, reductions in import penetration can be instrumental in giving import-competing activities a chance to grow. A competitive real exchange rate—if associated with an improvement in the trade balance—can support the growth of domestic productive activities that generate improved employment opportunities.

Although a competitive real exchange rate has the potential of supporting an employment-intensive growth strategy, structural features of trade in The Gambia place important limitations on the effectiveness of exchange rate policy. Two important challenges are: (1) the extremely limited export base in the country, and (2) the reliance on imported raw materials and capital goods. The lack of a diverse export base means that other factors—such as shifts in commodity prices—may be more important in determining export success than the

real exchange rate. The reliance on imported inputs means that a weaker Dalasi will raise the cost of productions for import-dependent sectors, when the product is sold on the domestic market. For exporters who rely on imported intermediate goods, the impact is ambiguous. In this case, what matters is the exchange rate spread—i.e. differences in the buying and selling price of the Dalasi—and the volatility in the exchange rate between the time at which inputs are purchased and the time at which the final product is exported. Interventions to keep the exchange rate competitive must be balanced with the potential negative consequences of such actions. These features of The Gambia's economy cannot be lightly dismissed when formulating macroeconomic strategies.

The single most important export produced in The Gambia is groundnuts. In recent years, official measurements of the value of groundnut exports, including groundnut products, range between D250 and D500 million.[11] The total value of exports has been volatile, as reflected in the wide range of export earnings. Groundnuts and groundnut products are basic commodities, so export earnings will be influenced by the prevailing world price. The global prices of these commodities are extremely volatile, although groundnut prices have been relatively stable in recent years (see Figure A3 in appendix). In addition, domestic production of groundnuts in The Gambia is also highly variable. The combination of volatile commodity prices and variable yields introduces a great deal of uncertainty into The Gambia's export performance and this uncertainty will often overshadow the impact of the real exchange rate.

In addition, there are institutional challenges associated with the marketing and processing of groundnuts, specifically associated with the Gambia Agricultural Marketing Company and the Gambia Groundnut Corporation (GGC). These difficulties have further constrained the capacity of the smallholder agricultural sector engaged in groundnut production. The failure of the GGC privatisation process, led the new private owners to design strategies based on the liquidation of the company and the selling of its assets rather than to an investment strategy aimed at increasing productivity and competitiveness, which has put many groundnut farmers under significant strain in recent years (Government of The Gambia, 2007). These institutional factors may be of greater importance for groundnut production and export than the real exchange rate.

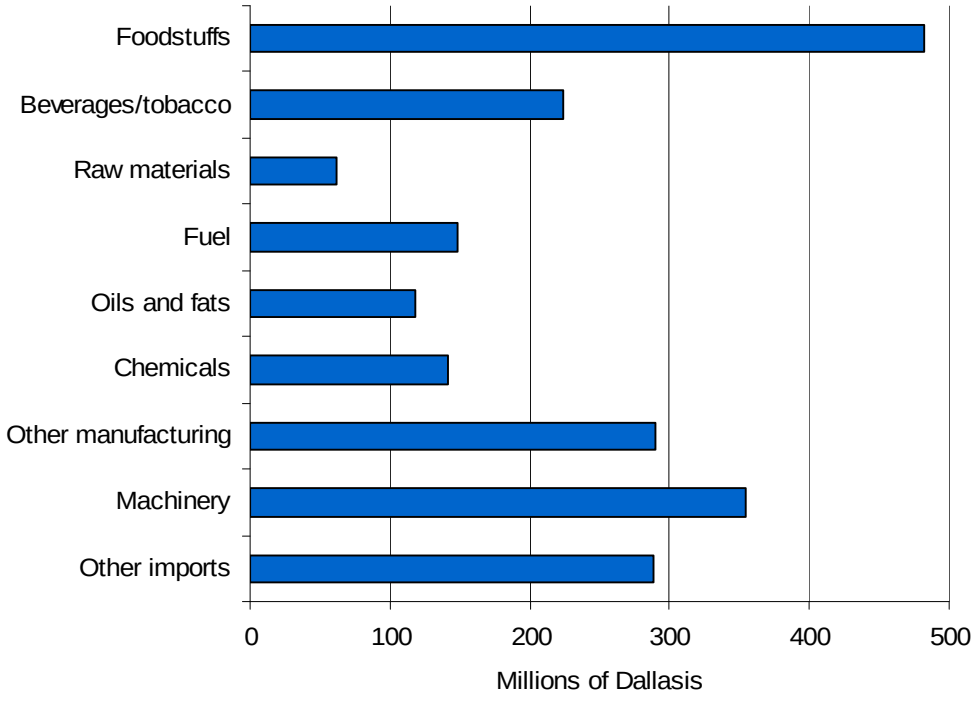
Re-exports—that is, the export of previously imported goods—account for another significant portion of trade in The Gambia. However, these products are not produced domestically and will have a limited impact on employment opportunities. Such trade, purely mercantile in character, may generate some economic benefits for the country, although the scope for value-addition will be limited at best. In addition, it is unclear that adjustments to the real exchange rate will have a lasting impact on the re-export market, for most of these goods are traded in foreign currencies. Instead, maintaining a stable exchange rate will be more important for the re-export trade than maintaining the real rate at a competitive level. Therefore, the scope for using macroeconomic policy interventions to support employment-intensive growth through re-exports is limited. In addition, The Gambia has lost competitiveness in the re-export trade vis-à-vis neighbouring countries, particularly Senegal, which has gained significant advantage as a result of the West Africa Economic Union (*Union Economique et Monétaire Ouest Africaine* - UEMOA) convergent trade policies, liberalization and the improvement in Dakar Port services. A clear example of this is given by the re-direction of most Malian international transactions towards Dakar at the expense of other regional ports, including Banjul.

Tourism services have been identified as a potential sector that could generate foreign exchange and improve employment opportunities. According to data from the Central Bank of The Gambia, arrivals of air charter tourists have increased at an average annual rate of approximately 10 per cent between 2001 and 2005. Maintaining an attractive real exchange rate would help support the tourism sector. However, it is unlikely that exchange rate policy alone will be sufficient to promote tourism growth. Investments in public infrastructure and basic services are needed, if The Gambia is to establish itself as a significant tourist destination.

Imported foodstuffs, intermediate inputs, and capital goods are important to the economy of The Gambia. Figure 11 illustrates the composition of imports, broken down into commodity groups. From this picture, we can understand why a nominal devaluation of the Dalasi is so often associated with greater inflationary pressures. In some cases—e.g., foodstuffs and energy—the impact is direct. A weaker Dalasi means higher prices of imported foods and fuels. In other cases—e.g., capital goods and productive inputs—the impact is indirect. Higher priced imports raise production costs and, depending on the degree of competition in the marketplace, a portion of these increases in cost is passed on as higher prices.

FIGURE 11

Imports by Major Commodity Group, The Gambia, 2001



Source: The Central Bank of The Gambia.

The nature of domestic production and trade raises a similar issue regarding structural constraints in the context of exchange rate policies as was previously raised in the discussion of monetary policy. That is, the effectiveness of macroeconomic policies will be limited if complementary policies to address the structural challenges of The Gambia's economy are not adopted. For example, productive sector policies to encourage the development of a more diverse array of exports and to promote the growth of import-competing activities have the potential to transform the economy in such a way as to make exchange rate policy a more

powerful instrument for development. The structural constraints on macroeconomic performance are not negligible and must be addressed directly in a comprehensive development strategy.

FISCAL POLICY AND DEBT

The budget is perhaps the most significant macroeconomic instrument for directed policy interventions to support a developmental agenda. Through the budget, governments can supply essential economic and social services, deliver basic infrastructure and other public goods, provide incentives that direct resources to priority activities, and create a social safety net to address economic vulnerability and poverty. However, sustainable fiscal policy requires careful management of public revenues, expenditures and borrowing. High levels of external and internal debt can squeeze public resources and contribute to economic instability. The Gambia has experienced excessive debt burdens and, accordingly, is part of the HIPC (heavily indebted poor countries) debt-relief program. If an employment-centred macroeconomic framework is to succeed, the developmental demands on the fiscus must be balanced against the requirements of sustainable public spending.

Table 1 presents information on public expenditures and priorities in The Gambia in 2001 and 2005. Between 2001 and 2005, total budgeted expenditures increased by 134 per cent—from 1,590 million Dalais to 3,721 million. A reprioritization of expenditures accompanied this overall increase—one of the key objectives of the country's poverty reduction strategies. Current expenditures as a fraction of the total budget declined in relative importance while development expenditures, including public investment, accounted for a noticeably greater share. Public investment in infrastructure is critical for economic development in countries such as The Gambia. Investments in roads, water, basic economic services and other public goods improve productivity and help reduce barriers to development (e.g., access to markets, high costs of production). In many cases, development spending also directly creates employment opportunities. Therefore, the reprioritization within the budget represents an important step towards building public assets for economic development and realizing the goals of poverty reduction.

TABLE 1

Budgetary Expenditures, The Gambia, 2001 and 2005

Expenditures	2005	2001
Total expenditures	D3,721 millions	D1,590 millions
… of which …		
Current expenditure	65.0%	77.8%
Salaries and wages	14.8%	21.5%
Interest payments	30.4%	18.5%
Subsidies and transfers	6.2%	12.5%
Other current	13.7%	25.4%
Development expenditure	32.1%	17.9%
Other expenditure	2.8%	4.3%

Note: Based on upper poverty line.

Source: Authors' estimates based on GBOS, 2007.

Where do the resources come from to finance such a significant increase in expenditures? In recent years, the government of The Gambia has made significant progress in improving its revenues through taxation. From 2001 to 2005, total tax revenues grew from 854 million Dalais to 2,263 million, an increase of 165 per cent. In addition, the relative shares of different revenue sources have not changed dramatically over this same period (see Figure A4 in appendix). Grants represent a somewhat smaller share of total revenues and taxes on domestic goods and services have doubled their earlier share, but there have been no fundamental compositional shifts that would wholly explain the increase in public revenues. Instead, greater efficiency in tax collection has contributed to the mobilization of resources to support planned spending. In addition, higher rates of economic growth and the recent increases in the sales tax have also contributed to the growing revenue base.

Improving the efficiency of revenue collection has been a significant target of The Gambia's poverty reduction strategies. Mobilizing domestic revenues represents a critical component of sustainable fiscal management, since it supports developmental expenditures without relying on higher levels of domestic or external debt. The creation of the independent National Revenue Authority represents an important institutional change to enhance revenue collection. The PRSP II (2006) states that one of its primary macroeconomic policy goals is to "further improve revenue collection by strengthening the institutional capacity and procedures at the revenue departments" (p. 45). This represents a crucially important policy position for establishing a developmental macroeconomic policy regime. It also represents another way in which institutional reform is necessary for effective macroeconomic management.

Despite the increase in revenues, the gap between planned expenditures and expected revenues in 2005 was large—about D932 million or an estimated 7 per cent of GDP. In the 2005 budget, approximately half of this short-fall (D458 million) was to be financed through external borrowing and the remainder financed through domestic debt (D420 million) and the expected proceeds from privatization (D54 million).[12]

The reliance on significant levels of debt financing—specifically domestic debt—is worrying on a number of fronts. As Table 1 (above) demonstrates, interest payments accounted for over 30 per cent of all public expenditures in 2005, up from 18.5 per cent in 2001. According to the Central Bank of The Gambia, 79 per cent of these interest payments went to service the domestic debt. With the very high rates of interest prevailing in the economy, including the high real interest rates on treasury bills documented earlier, continued borrowing to finance public expenditures is likely to become unsustainable. That is, interest payments will account for an increasing share of public expenditures that cannot be used for developmental priorities.

The domestic debt has implications for other areas of macroeconomic policy. As discussed previously, domestic financial institutions (such as commercial banks) have an incentive to hold their assets in public debt, since government securities earn high interest rates and are relatively risk free. The banks have less incentive to extend loans to support private investment, where risks and transactions costs tend to be significantly larger. This is particularly true for smaller-scale activities. Therefore, the capacity to extend developmental loans to the private sector remains below its potential. This situation can limit the effectiveness of financial reforms aiming to increase credit for priority areas—such as the diversification of The Gambia's productive base or the promotion of employment-intensive development. In light of these concerns, the PRSP II pledges to keep the domestic debt at a level that would not undermine long-run fiscal stability.

How might The Gambia finance its planned expenditures without building up its public domestic debt and associated servicing costs? As discussed in the PRSP II, the country's recent success at mobilizing domestic resources—evidenced in the substantial increase in tax revenues—should be expanded and built upon. Ultimately, it is this sustainable revenue base that provides the foundation for sound fiscal policies. Many countries in sub-Saharan Africa have improved revenue collection through a diverse array of approaches (McKinley, 2007). These include preventing the erosion of traditional sources of revenue (e.g., taxes from international trade), improving the efficiency of tax collection, maintaining a diverse set of tax instruments, and exploring ways of raising domestic non-tax revenues (e.g., licensing fees for access to natural resources).

A less restrictive monetary environment will also improve the sustainability of fiscal policy. Efforts to bring down the interest rate on public borrowing will reduce the fraction of the budget needed to finance the outstanding debt and the need for still more domestic borrowing. A coordinated macroeconomic strategy—if carefully implemented—can free up resources for developmental spending.

The coordination of monetary and fiscal policy could be enhanced through the activities of the Monetary Policy Committee (MPC).[13] Such coordination is essential for creating a macroeconomic environment conducive to employment creation. However, the type of coordination and the policy content of monetary and fiscal policies remain important. For example, as discussed in the PRSP II, in the past The Gambia has resorted to debt monetization to finance budget deficits in which the Central Bank lends directly to the government. Although this reflects a particular type of coordination, monetary policy may become subservient to the needs of the fiscus, making it harder to use monetary policy as a complementary tool for targeting other important economic variables. Similarly, policy coordination that focuses on a single, narrow target—e.g. very low inflation—may not be effective in creating the right sort of environment for expanding employment opportunities.

External sources of finance are also a possible source of revenues, although dependence on external debt or official development assistance (ODA) has its own set of problems. High levels of external debt create similar problems as high levels of domestic debt. Moreover, volatility in the exchange rate can have a significant impact on servicing costs of the debt burden. This exposes the country to the greater risks and uncertainty inherent of global financial markets. ODA can be helpful in providing budget support to realize development objectives. However, ODA flows are subject to the decision-making processes of large donor countries and agencies. Long-run planning becomes difficult when commitments to ODA are unclear and uncertain. Moreover, the process of nurturing relationships with donors consumes resources and can shift government priorities. This is not to say that ODA has no role to play in supporting development strategies in The Gambia. However, ODA should not be pursued as a substitute for efforts to enhance domestic resource mobilization.

3 POVERTY, LABOUR MARKETS, AND THE STRUCTURE OF EMPLOYMENT

POVERTY

Poverty is widespread in The Gambia. In 2003 the poverty headcount index was found to be 58 per cent. Available data suggests that the incidence, depth and severity of poverty

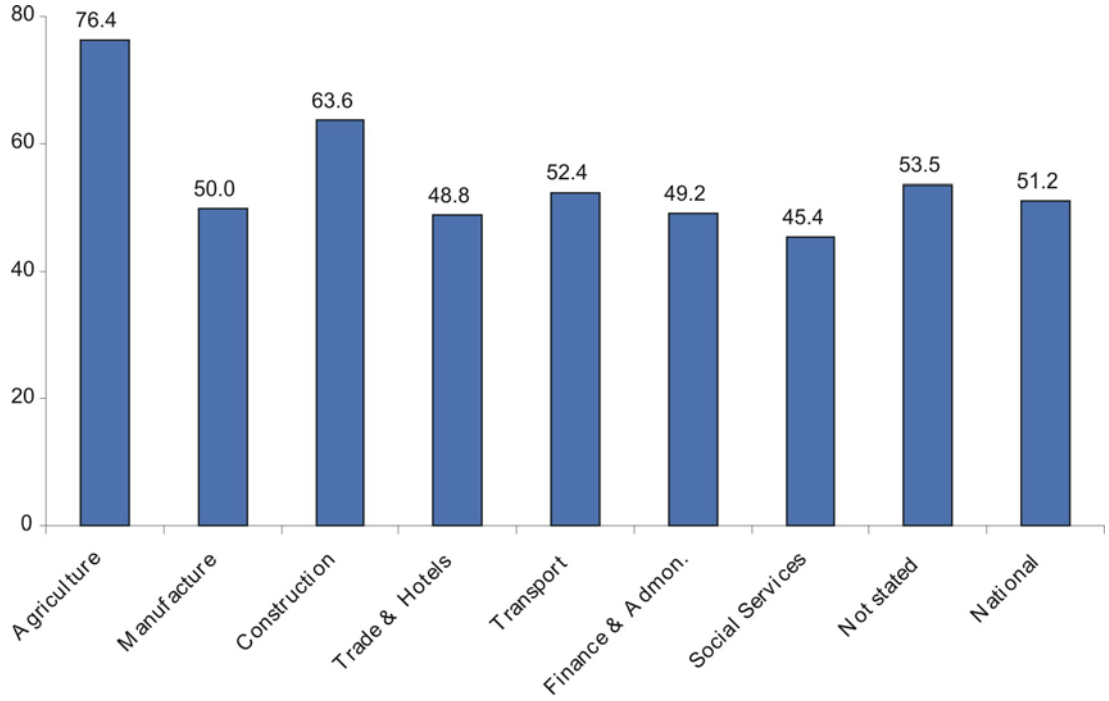
increased between 1992 and 1998, and then remained constant from 1998 to 2003 (Gambia Bureau of Statistics 2007). If these estimates are accurate, poverty increased when growth was low and erratic, while the incidence of poverty did not change during the years of accelerated growth.

In The Gambia, poverty increases with household size[14] but decreases with education. The incidence, depth and severity of poverty are more than twice as high for households with illiterate heads compared to households whose head is literate. The likelihood of being "poor" is higher in households located in rural areas, in polygamous families (which are more common in rural areas), in households headed by widows, people of advanced age or with no work experience, and in households with sick family members. Regional differences in poverty incidence are stark (see Table A2 in the appendix for details).

The incidence of poverty for households whose head is employed in the agricultural sector is the highest (76.4 per cent—includes fishing and groundnuts activities). Next are households whose head works in the construction sector (63.6 per cent). By contrast, the incidence of poverty is lower for households whose head works in social services (45.4 per cent—includes personal services), in trade, hotels (48.8 per cent—includes restaurants), and in finance and administration - private as well as public (Figure 12). Regional disparities result in a low likelihood of being poor if the household lives in Banjul (Gambia Bureau of Statistics, 2007; Republic of The Gambia, 2006).

FIGURE 12

Poverty by Occupation of the Household Head



Note: Based on upper poverty line.

Source: Authors' estimates based on GBOS, 2007.

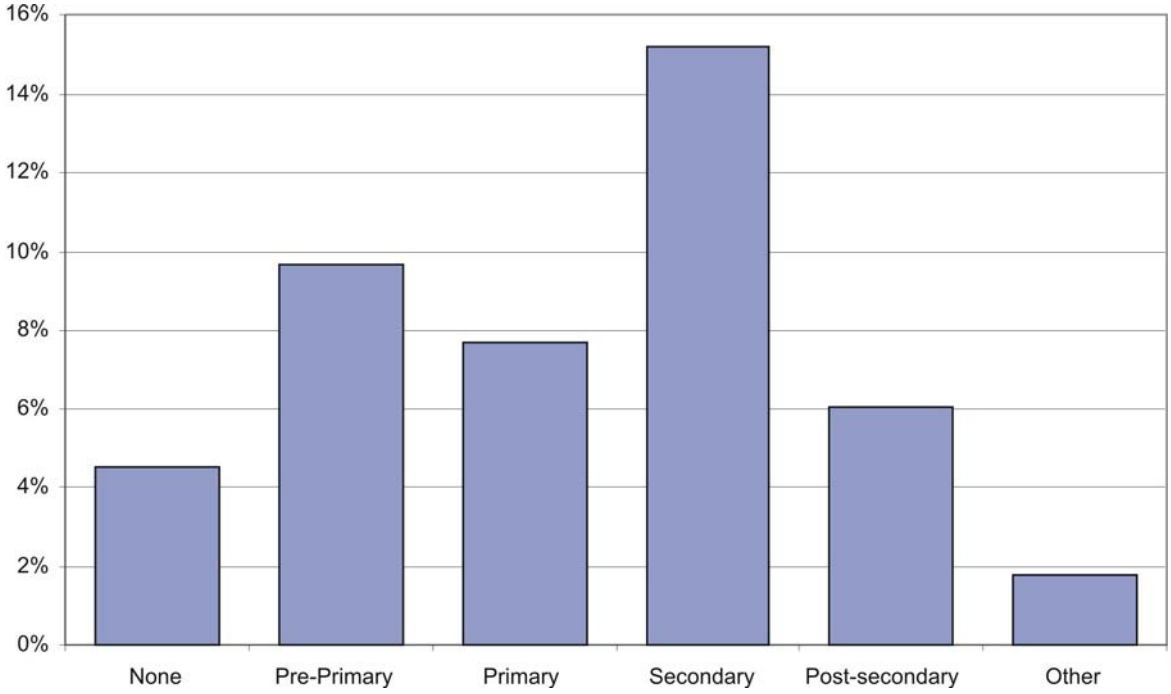
EMPLOYMENT AND THE LABOUR FORCE

The population of The Gambia was estimated at 1.36 million in 2003, with an annual growth rate of 2.8 per cent (since 1993), and with over 55 per cent of the population living in the densely populated Greater Banjul Area. According to estimates from the World Bank and the International Labour Organization, the labour force as a percentage of the total population has remained stable in recent decades—at about 43 per cent. Census data from 2003 indicate a labour force participation rate of 48 per cent for the entire country. Rates are higher in rural (54 per cent) than in urban areas (45 percent), and are higher for illiterate people. Adults in the age ranges of 25-49 and 50-64 have participation rates almost twice as large as those of youth in the15-24 age brackets. Participation rates for males and females are fairly similar—a pattern which can be found in other sub-Saharan African countries, but which differs from many other parts of the world where women's participation rates are frequently much lower than men's.

Unemployment in The Gambia is a source of concern. Using the latest population census, which is usually the benchmark reference for employment indicators, the national unemployment rate is not very high at 6 per cent. But the urban rate is 10 per cent (the rural rate is only 2 percent) and, moreover, the urban youth unemployment rate is very high, at 22 per cent (in rural areas youth unemployment is 3 percent).[15] The National Employment Plan has thus appropriately called attention into the pressing issue of high unemployment rates among the urban youth aged 20-24 years old.[16] Unemployment rates are generally higher among the more educated (Figure 13). The highest unemployment rate is found among those with secondary education (15 percent), while the lowest is found in those without any schooling (4 percent).

FIGURE 13

Unemployment Rate by Education Level, Population Census 2003



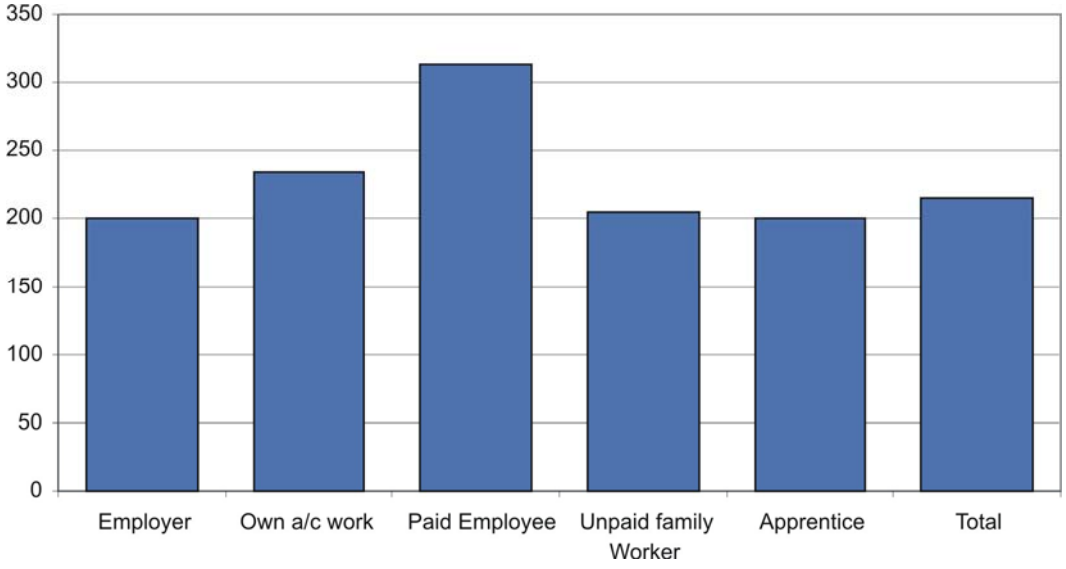
Source: Authors calculations from Population Census 2003.

The PRSP II does not produce specific employment/unemployment figures but emphasises three important issues: (a) the greater relative importance of employment as a priority in urban areas (according to people's perceptions); (b) the relatively high incidence of unemployment among graduates despite evidence of vacancies in the public sector; and (c) the significance of urban youth unemployment.

The most acute employment problem in low income developing countries is seldom unemployment. Underemployment (i.e. part-time, seasonal and short-term employment and low average earnings due to poor productivity) is frequently of greater concern. Gambia's IHS survey allows us to examine underemployment through the lens of number of working days per year. According to this data, most categories of workers worked around 200 days or more. In the case of wage workers, most of them worked year round or 313 days per year (Figure 14).[17] These figures suggest that underemployment is not a particularly serious issue, at least not as serious as often assumed. However, this indicator does not provide information about other dimensions of underemployment, for example information on the number of hours worked per week.[18]

FIGURE 14

Days of Work Per Year (Median) – Employed Workers



Source: Author calculations from IHS 2003 database.

Moreover, underemployment—indicating an inadequate level of labour demand—may manifest itself in forms other than average work time (be it days per year or hours per week). Consider a self-employed street vendor. Demand for her labour (providing retail services) depends on the amount she can sell in any period of time. The amount she sells will also determine her earnings. If hourly earnings are low due to inadequate demand, she may work longer hours in an effort to generate more income in total. In this case, slack demand in the economy leads to longer working hours. However, the street trader in this example can still be considered underemployed, due to low levels of productivity and insufficient demand for her labour.

The concept of "informal employment" is meant to capture forms of employment that lack regulatory, legal, and/or social protections. Informal employment is most often defined in terms of the nature of the enterprise in which the work takes place (i.e. the informal sector) and

the nature of the employment relationship (Hussmanns, 2004). In practice, enterprises are considered informal if they are unincorporated and unregistered with a government authority. When registration status is unknown, a size criterion is frequently used (e.g. informal enterprises have less than 5 employees). "Employment in the informal sector" comprises all employment that takes place in informal enterprises (including own-account workers, contributing family workers, paid employees in informal enterprises, informal employers, and members of informal cooperatives). Outside of the unregistered and/or small enterprises sector, employment may be considered to be informal if it lacks core legal or social protections, e.g. domestic workers. To be sure, *de facto* unregulated employment may also exist within the formal sector, i.e. in registered or large enterprises.

Because of data limitations, we discuss informal employment by focusing on jobs in informal enterprises as captured by the economic census. Such employment is widespread in The Gambia. The 2004 Economic Census finds that there were 78,718 private establishments outside the crop sector where 223,610 people worked: 40 per cent as paid employees, 25 per cent as own account workers, 5 per cent as employers, 27 per cent as unpaid family workers, and the remaining 3 per cent as other temporary workers. Almost three quarters of these establishments were located in the Greater Banjul, Kanifing and Brikama Local Government Areas. The majority of these enterprises were unregistered (84 percent) and therefore can be classified as operating in the informal sector. 73 per cent of all working individuals in the non-agricultural enterprises captured by the economic census were employed in informal enterprises. As mentioned above, definitions of the informal sector frequently include small-scale enterprises, not simply unregistered firms. If establishments with less than 5 workers were included in the informal sector of The Gambia, then the proportion of informal workers increases to 85 per cent of employment in non-agricultural enterprises.

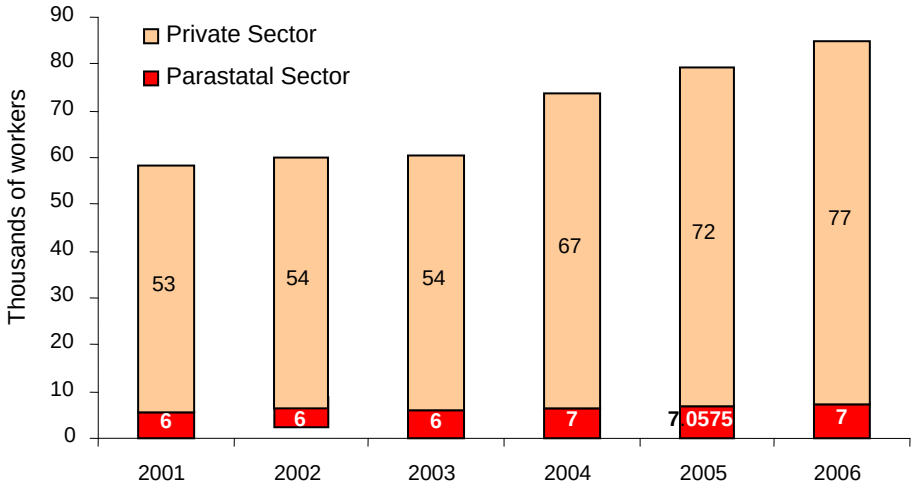
Informal establishments rely on unpaid labour (family or apprentices) but also hire a significant number of paid employees. Paid employees represent 53 per cent of all workers employed in unregistered non-agricultural enterprises. One should bear in mind that registering a business does not guarantee good employment conditions: while 16.1 per cent of all establishments declare to be officially registered, at the most, 12 per cent of them offer employee benefits.

The Social Security and Housing Finance Cooperation (SSHFC) produces information on registered employment, which is often associated with formal employment. In 2006, registered employees in the SSHFC totalled 100,437 (of which 77,452 were in the private, 7,495 in the parastatal and 15,490 in the public sector).[19] This data allows for comparisons across time. The data provided for the period 2001-2006 includes the number of workers in the parastatal and private sectors, suggesting significant increases in registered employees, especially in the private sector (Figure 15).

The sectors and occupations in which individuals are employed differ along numerous dimensions: scale of operation, location, regularity of business, technologies, skills profile of the workforce, and degree of risk. Here we present some basic differences across sectors and occupations according to the available information.

FIGURE 15

Number of Employees Registered with SSHFC (Provident Fund), 2001-2006



Source: Authors construction based on data from Social Security and Housing Finance Cooperation.

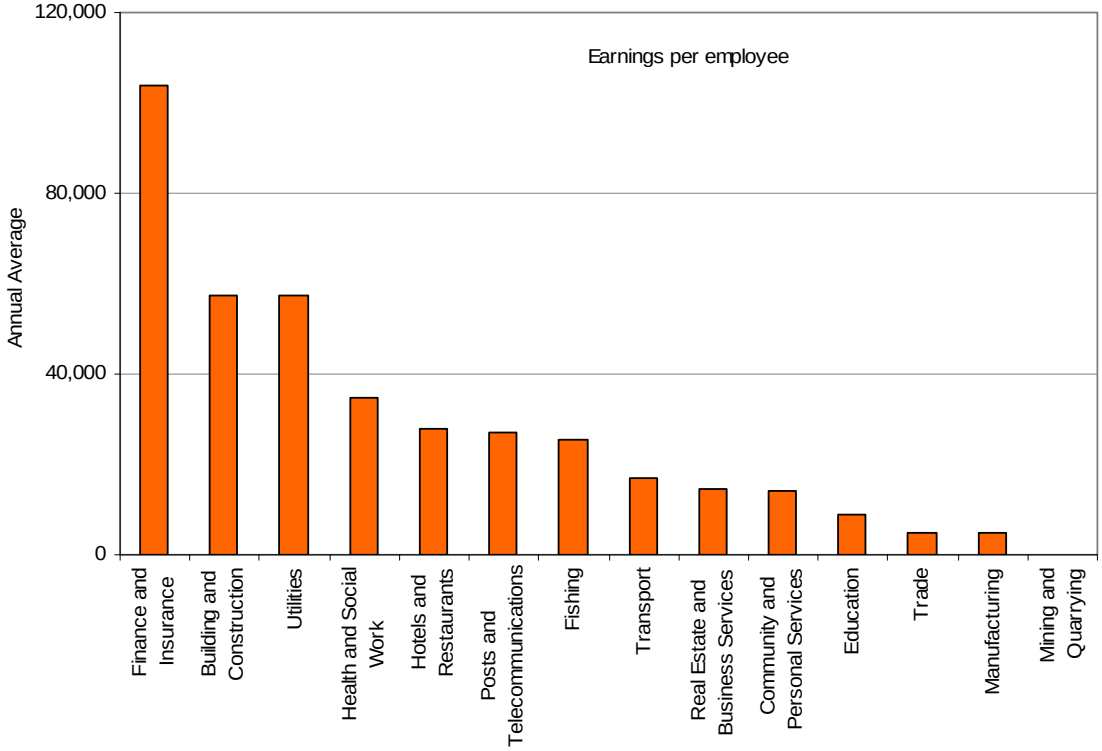
The 2004 Economic Census provides estimates of value-added and its various components by industry (for details, see appendix). The data suggest that the labour component of the value added is quite low (18 percent) with over 60 per cent accounted for by operating surplus (gross profits or revenues net of direct labour costs). However, there are significant variations across sectors. Some sectors contain a notably small labour compensation component (less than 15 percent), such as real estate, trade, agriculture and fishing. The low labour share reflects, in part, the predominance of small units (including own-account operations) and the reliance on unpaid family labour. Hence, the operating surplus includes the remuneration to the self-employed which include own-account workers, contributing family workers, and employers.

Earnings diverge significantly across industries and occupations (Figure 16). The best-paid jobs are found in the finance and insurance sector, which employs a small number of workers, in construction and utilities, as well as in the health sector, which tends to employ more highly-skilled workers and thus pays better salaries. The sectors with the lowest average earnings are manufacturing and trade. Their average earnings are less than a twentieth of average earnings in finance, half the basic pay of the lowest paid civil servants, and lower than the current poverty line. These are sectors employing large numbers of workers. Trade, by itself, represents more than half of employment in sectors, while manufacturing accounts for more than one sixth.

In some sectors there is potential for better paid jobs. This is the case with tourism, a sector where various unskilled workers are employed. In spite of being mostly unskilled jobs, wages are relatively good. The average yearly earnings of a worker in the hotel and restaurant sector is 28,000D.[20] In contrast, the typical groundnut farmer earns only about Dalasi 7,000 per year from one hectare of output sold for export (World Bank and DOSTIE, 2006, p. 7). Although barriers to entry are not insurmountable, this sector has not yet displayed its full potential. Investments, state-led promotion abroad adequate supply of business services and adequate, efficient and on-site training programmes could result in an increase international demand for these services.

FIGURE 16

Annual Average Earnings Per Employee by Industry, 2004



Source: Authors construction based on data from Economic Census 2004 (see appendix, Table A5).

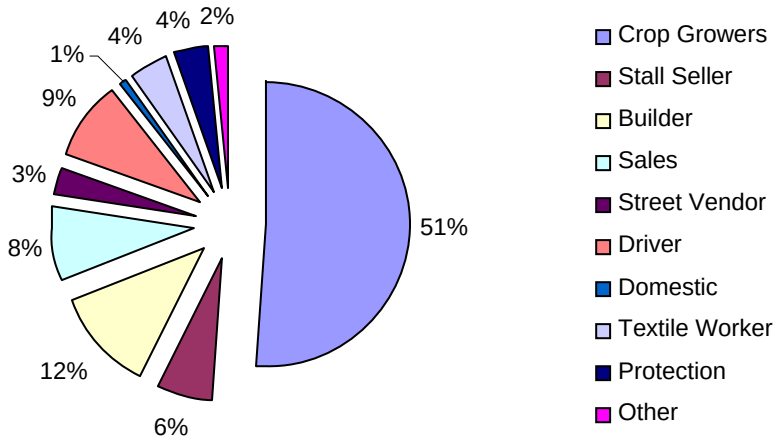
Gender is a significant differentiating factor in determining types of employment and occupations in The Gambia. Figures 17a and 17b show employment by occupation, disaggregated by sex. Male workers are employed in a wider range of occupations, partially a result of the education and training available to male workers and the customary gender roles in the Gambian labour market. There is also evidence of labour market segmentation by sex. Whereas employed men work in occupations such as vehicle driver, protection services, building, mechanic and fishery, female workers are predominantly employed in petty trading, domestic services and clerical jobs. While 45 per cent of men reported that they had never received any training, the proportion of women reporting that they had no access to training was 61 percent.

There is evidence of a significant gender earnings gap. Rough estimates from the scarce data on wages and earnings for a range of workers who had received training suggest that the earnings of employed men are 1.6 times larger than those of employed women. There is substantial variation in the gender earnings gap. In some cases male and female wages are nearly identical, but there are instances where the ratios of men's earnings to women's can be as high as 3 and even 9.[21]

It also appears from available evidence at the micro level that men dominate most forms of wage employment in rural and peri-urban areas, in agricultural and non-agricultural activities. Women's employment is concentrated in certain informal activities, such as own-account employment or "on commission" work. It should be noted that it is frequently difficult to distinguish forms of self-employment from wage employment for women in urban informal activities. There is a continuum to the degree of precariousness which different types of employment exhibit in The Gambia, and women tend to be concentrated in more precarious forms of employment.

FIGURE 17A

Top 10 Occupations: Males, 2003

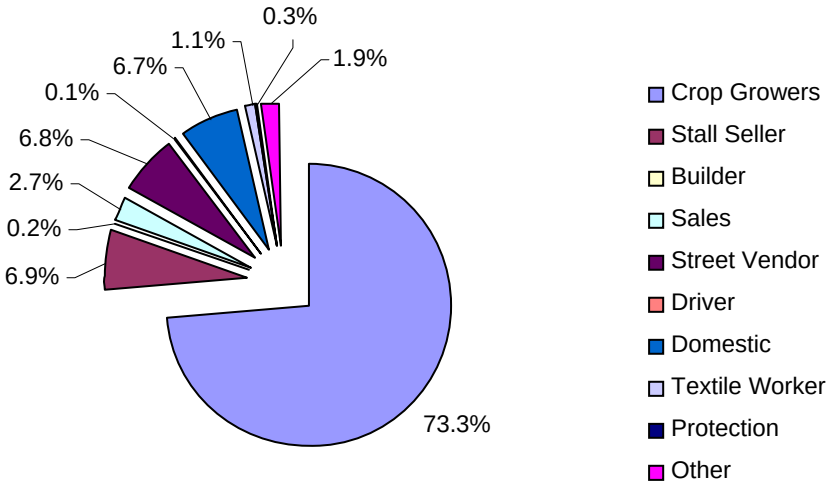


Source: Authors calculations based on data from Population Census 2003 (see Tables A6a-c).

Note: Top 10 occupations represent 80 per cent of the 485,761 total employed population in 2003. The total male employed population in these occupations sums 188,665 workers.

FIGURE 17B

Top 10 Occupations: Females, 2003



Source: Authors calculations based on data from Population Census 2003 (see Tables A6a-c)

Note: Top 10 occupations represent 80 per cent of the 485,761 total employed population in 2003. The total female employed population in these occupations sums 200,915 workers.

Gender is a particularly significant differentiating factor in rural areas, especially in farming, where women take on specific roles within the household. In addition, men often dominate the rural labour markets for paid employees, especially seasonal migrant labour. However, it is not unusual to find younger women working for casual wages in operations such as weeding when they are freed from household chores. The incidence of this phenomenon, however, cannot be ascertained with the limited statistical information available.

THE SUPPLY OF LABOUR

The increase in the Gambian workforce has been steady since the 1980s and, not surprisingly, has paralleled the growth rate of the population. Labour force participation rates have remained more or less stable since 1983 with population growth rates hovering around 3 per cent. The increase in the workforce has been particularly concentrated in urban areas as a result of migration. The process of urbanization has accelerated since the 1980s with the proportion of the urban population reaching 53 per cent in 2003 (see appendix). Consequently, urban areas such as Kanifing have attained a high population density on the order of 4,268 inhabitants per square kilometre (GOG *et al.* 2006, p. 28).

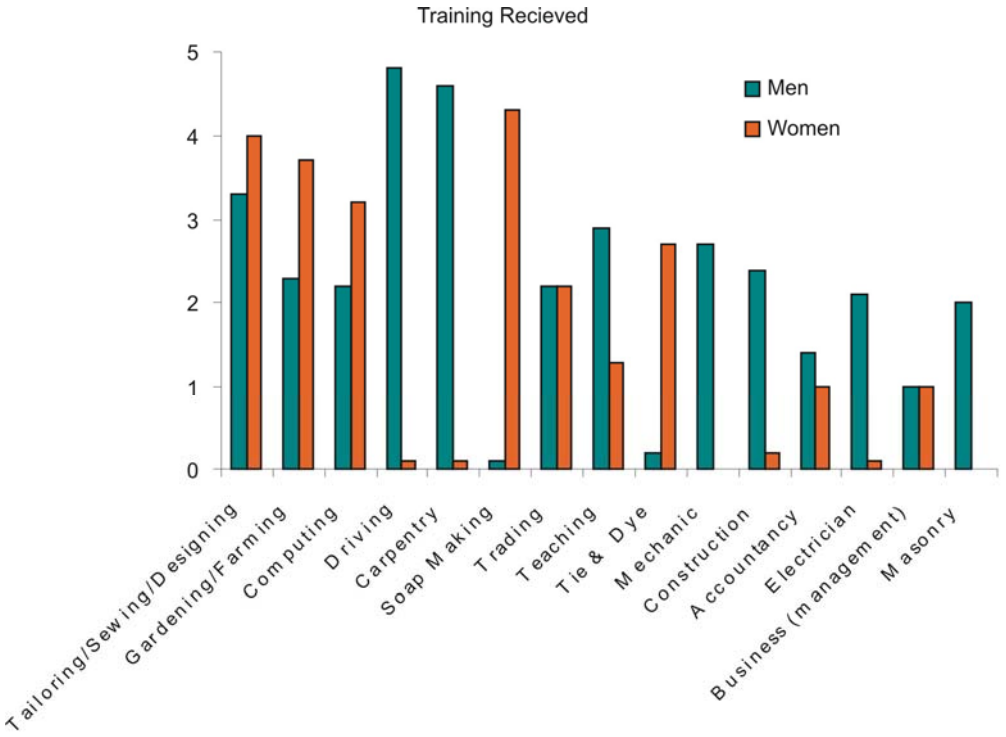
A large proportion of employed women are engaged in crop farming—two-thirds of employed women are reported as crop growers, compared to only 36 per cent of men. In addition, fertility rates are relatively high, estimated at 5.4 children per woman, slightly above the 5.3 average for sub-Saharan Africa (World Bank 2005, p. 17). Therefore, most women combine market work (i.e. participation in remunerative or income-generating employment) with non-market work (e.g. unpaid childcare and household production). The responsibility for unpaid, non-market work influences the employment options available for women. For example, paid activities that prevent women from combining market and non-market work may not be accessible to economically active women.

Labour supply in The Gambia is mainly unskilled, both in rural and urban areas. According to estimates derived from the population census, 47 per cent of the active and employed population has no formal schooling, only 3 per cent have completed a post-secondary degree/diploma (including vocational training), and a significant proportion (around 23 percent) have attended only madrassas (daaras).[22] As a result, average adult literacy rates remain low in The Gambia. According to the PRSP II, the national literacy rate is 46 per cent, with a significant gap between female rates (37 percent) and male rates (60 percent). According to the NTA survey on skills and employment, almost 50 per cent of the rural sample was illiterate (42 per cent in urban areas). On the basis of our calculations from the NTA survey, a staggering 54 per cent of the employed population had not received any training whatsoever, whether formal or informal (59 per cent in rural areas and 61 per cent in the case of women). For those who reported some form of training, the most common were the following. In rural areas: gardening, farming; tailoring, sewing, designing; soap making; in urban areas: tailoring, sewing, designing; (petty) trading; driving. Thus, significant differences in skills exist (Figure 18).[23]

These estimates suggest that most of the training occurs on the job. Thus, the NTA sample survey suggests that organised forms of training (including vocational) only reach a small proportion of the employed population.

FIGURE 18

Proportion of the Labour Force that Received Training by Type of Training, Disaggregated by sex, 2006



Authors construction based on the NTA survey 2006 (see appendix, Table A7).

Columns are decreasingly ordered, left to right, according to the total proportion of the labour force that received training.

Despite low levels of literacy and skills development, The Gambia has made significant progress in bringing more children to the formal primary and secondary schooling system. As a result, the country has attained enrolment rates above the regional average and relatively high rates of progression from primary to secondary schools. According to estimates from 2007, net enrolment rates in primary education increased from 48 per cent in 1991, to 67 per cent in 1999, and 73 per cent in 2001. Net enrolment in secondary education rose from 26 per cent in 1999, to 33 per cent in 2001, and 45 per cent in 2004 (World Bank, 2007).

Efforts to improve the human capital base are evident in these broad education indicators. These successes should improve employment prospects and economic mobility. However, high enrolment rates by themselves do not necessarily resolve other skill constraints that are currently evident in the Gambian economy. For example, higher enrolments will lower illiteracy, but only in the long-run. Moreover, formal schooling may fail to develop the skills most demanded in the current labour market. That is, a mismatch between the skills profile of the labour force and that needed to enhance employment opportunities may persist, despite improvements in school enrolments.

Unsurprisingly, according to census data (Gambia Bureau of Statistics, 2006), in 2003 those who report being paid employees, particularly those receiving a regular salary (rather

than irregular wages), also tend to be more highly educated. Within this group, the proportion of female employees with post-secondary educational credentials is greater than that of males, but for those who leave secondary school the case is reversed.[24]

THE DEMAND FOR LABOUR

Private sector. The private sector is the main employer in the economy. Data from the SSHFC not only confirms that the private sector is the most important formal employer, but also suggests that it is also the most dynamic employer. Registered workers in the private sector increased by 47 per cent between 2001 and 2006, compared to an increase of only 32 per cent in the parastatal sector.

Opportunities for gainful rural employment, particularly in the farming sector, have declined due to the sluggish performance of the agriculture sector.[25] The high poverty level of the rural areas (estimated at about 67-70 per cent of the rural population) means that households have few resources to invest in improving their productive capacities and, ultimately, their earning potential. Thus, a vicious circle of poverty, low income, low productivity and scarce assets is compounded by a lack of support to crop farming from state institutions. Arguably, farming households increasingly depend on external non-crop sources of income, including remittances from family members having moved to the Greater Banjul or neighbouring Senegal.[26]

There is a general perception that the recorded increase in job opportunities in the private sector neither matches the increase in labour supply nor is consistent with the recent record of growth. Although the available evidence is far from sufficient to establish any firm conclusions, policy analysis suggests that there is scope to nurture a stronger labour demand response to the improved growth situation in The Gambia (WB-DOSTIE, 2006). In the course of our discussions with policy analysts, government officials, and business representatives, several constraints to employment creation were identified.

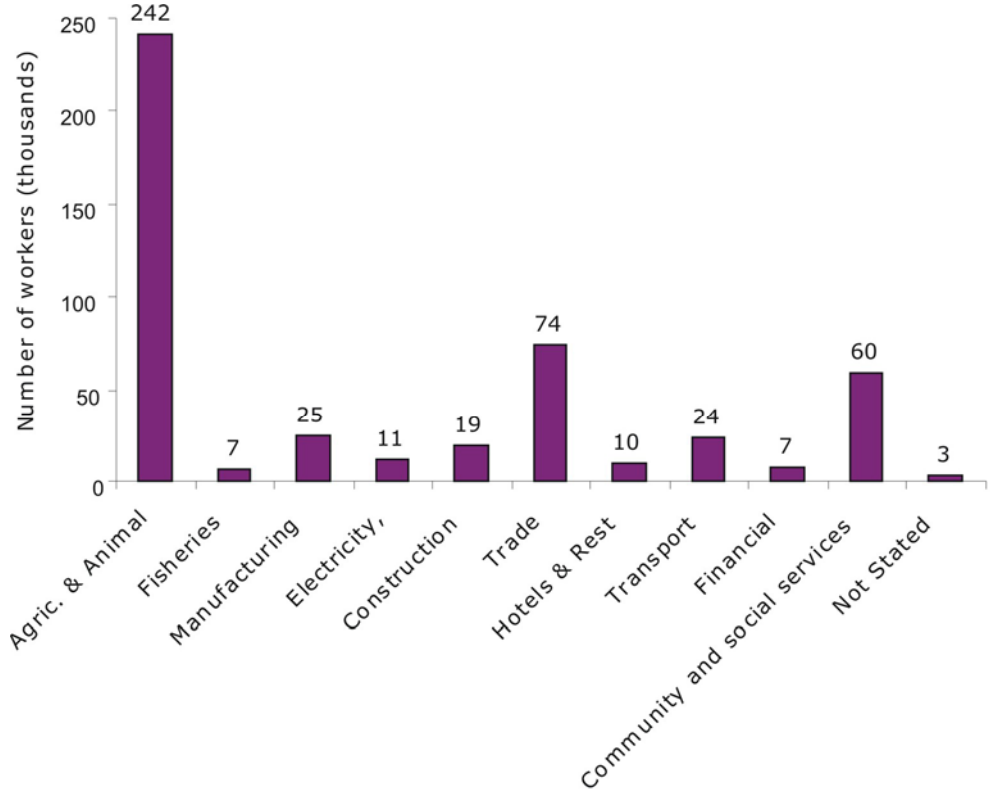
Generally state regulation was considered almost irrelevant while unions were not perceived as obstacles to more employment creation. The constraints are generally found within prevailing macroeconomic conditions, the need to maintain competitiveness, and the scarcity of investment opportunities. The extremely small size of the Gambian market is often given as the reason for the scarcity of investment opportunities and the weak capacity to attract more foreign direct investment (FDI). This also explains the predominance of micro-enterprises in manufacturing and trade and the very large proportion of imported consumer goods.

The historical *entrepôt* nature of the Gambian economy means that investments in productive value-enhancing activities have been scarce. Instead, services and petty manufacturing apart from agriculture remain important pools of jobs with little success in attracting investment (Figure 19). Under these conditions, the country has tended to follow a growth path where most investment opportunities, especially for short-term profits, tend to be located in the sphere of exchange and distribution, while other productive sectors appear less attractive. Investment opportunities in productive activities could be greatly enhanced by substantially improving incentives and infrastructure, especially in manufacturing, horticulture and tourism. Policies would need to be developed to shift the country onto this alternative growth path.

Moreover, scarce private investment is associated with both high transaction costs and a perceived lack of profitable opportunities. High transaction costs, which hinder the expansion of productive capacities and the upgrade of micro and small informal businesses, also affect the survival rate of many of these establishments, which according to the Economic Census tend to be rather young. A vicious circle is created between the weak productive capacity of small-scale private businesses and their perceived creditworthiness. Despite the proliferation of commercial banks and financial institutions over the last few years, access to credit remains a critical constraint for most local enterprises. As has been discussed earlier, interest rate spreads are large, reflecting the risk perception of banks and their lack of interest in expanding the range of activities and business to which they offer loans.

FIGURE 19

Number of Workers Employed by Industry, 2003



Source: Authors construction based on data from Population Census 2003 (see appendix, Table A8).

Another major constraint is the weaknesses of public infrastructure and the notably poor performance of the energy sector. According to sources in the Chamber of Commerce, many businesses need generators to maintain a predicable supply of electricity, but these are costly to purchase and operate, especially given high fuel prices. Poor transport infrastructure to neighbouring countries hinders the development of activities that could build competitive advantages by specialising in niches for regional markets beyond Senegal. The enclave position of The Gambia within Senegal impedes developing better communication infrastructure to link to other neighbouring countries, Mali, for instance.

The bad publicity of political instability and conflict in neighbouring countries over the last 15 years has gradually eroded the capacity to attract investment to The Gambia. Often,

with the exception of investors concentrating in natural resource extraction for whom The Gambia currently has little to offer, foreign investors respond strongly to region-wide perceptions. Furthermore, the potential for higher labour demand in well-established sectors, such as trade and transport, is hampered by the saturation level of these activities and the declining importance of the re-export trade.

Despite the many constraints on labour demand, there is scope for a number of sectors to improve their competitiveness and grow more rapidly in the future. According to the DTIS 2006 (WB-DOSTIE 2006), substantial poverty reduction could be obtained through the promotion of exports in three activities: cashew nuts, groundnuts and tourism. The tourism sector is less labour intensive than the agricultural sector but its higher remuneration has the potential to lift workers and their families above the poverty line. Through the multiplier effect of improved household incomes on family labour, the agricultural sector would provide thousands of jobs to people living in rural areas. Higher demand for labour in these sectors may also inject greater dynamism into local labour markets and further reduce underemployment. If this happens, pressures to migrate to overcrowded and saturated labour markets in Grater Banjul may relax and a more balanced pro-poor employment pattern be achieved.

Public sector. Employment in the public sector, which includes the civil service and the parastatals, appears to have declined since the mid-1980s. We could not obtain a consistent time series on public sector employment, but the available estimates suggest that the number of civil servants, especially relative to total employment, has fallen. An initial civil service squeeze took place in the mid-1980s under the first structural adjustment programmes. Since then, there has been a tendency to freeze civil service employment while the turnover within the civil service has also increased. As of June 2007, only 13,599 civil servants were recorded in post, compared to the 15,940 recently reported by the IMF (IMF 2006, p. 18). The civil service represents approximately 3 per cent of total employed population in the country and 13 per cent of paid employees. Between 2001 and 2006, employment in the parastatals increased by almost one third. This process has been uneven, as not all public enterprises have managed to create jobs. One of them, the Gambian Ports Authority, has expanded gradually over the last five years, even as the size of the dock workforce has remained stagnant.[27]

Several persons interviewed mentioned the problem of high attrition rates in the public sector, especially among civil servants.[28] The level of remuneration for government employees on average falls below the pay scales in the private sector for equivalent jobs and qualifications. Thus, the attractiveness of public sector employment has been significantly reduced after years of structural adjustment and fiscal austerity.[29] Another factor that is more difficult to measure and pin down is the apparent "insecurity" and instability of civil service jobs, which seems to be an emerging phenomenon. If true, this would further reduce the incentives to work in the public sector because one of the attractive features of public employment in the past has been the prospects of job security and non-wage benefits.

On the whole, the dwindling employment levels and the high attrition in the civil service may be a result of a combination of factors: a) the streamlining of the public sector; b) the high incidence of dismissals for reasons that sometimes remained unexplained; c) the loss of experienced and competent public sector employees to the private sector or to international organisations which offer higher wages for similar skills and tasks.[30]

One factor which may partially counteract these trends is the potential for upward job mobility among middle-level civil servants. The analysis of the 2007 count of civil servants in post suggests that while unfilled positions do exist, the vacancy rate of 8 per cent does not

represent a substantial problem: 13,599 civil servants in post compared to 14,741 authorised posts.[31] However, despite the fact that the dismissals and rotations affecting senior and middle-level public servants may not add up to a large number of positions, their qualitative impact on the remaining employees, especially in terms of morale, and on the institutional capacity to attract good candidates may be significant.

A World Bank report (2005) presents evidence that human resource scarcity and "brain drain" was particularly alarming in certain areas, such as accountancy and IT management, which causes the performance standards of certain public sector operations to slip over time. This was also explicitly echoed by a government document with reference to macroeconomic management:

> "At the macro level, the major constraint faced in the implementation of The Gambia's PRSP is human resource scarcity. As at now most of the people who worked with the World Bank on the costing and financing exercise have now left the Civil Service. The high attrition and turn over within the "PRSP team" has also spread to the social sectors with poor transmission of technical information from one team to another. Scarce technical and financial resources needed to address the critical implementation bottlenecks faced at the implementation stage aggravate the poor human resource base." (Republic of The Gambia, 2006, p. 52).

The issue is not so much the inability of the public administration to recruit across the board, although the vacancy rate in some areas remains a concern. The issue is the high turnover and shifting of human resources across institutions within the civil service. Whereas this mobility may be expected to increase productivity and reduce the potential for nepotism, the serious danger of losing institutional memory and eroding the morale and security of the staff in post must be taken into account. Thus, labour churning within the civil service may eventually reinforce the growing unattractiveness of public sector employment.

RURAL LABOUR MARKETS

The urban labour market situation can be analysed using data such as economic census and household surveys. Specific surveys designed to capture informal activities provide information about own-account and unpaid workers in urban labour markets. Although household surveys are also applied in rural areas, their capacity to adequately capture the peculiarities of rural labour markets is limited. Unless an in-depth labour force survey is administered, it will be difficult to ascertain the characteristics and dynamics of rural employment and the structural characteristics of rural labour markets.

Participation in rural and peri-urban labour markets and the incidence of non-farm wage employment is not restricted to a few months during the rainy season (noran). Household members may engage in non-farm wage activities throughout the year (Roth *et al.* 1996). The seasonal and irregular nature of labour peaks is associated with the hiring of seasonal and casual labourers, who may come from the local area or migrate from other regions. The personalisation of employment relations and a degree of "paternalism" among employers is also a typical feature of rural labour markets.

Rural labour markets frequently exhibit a mismatch between the supply of and demand for labour, linked to the adoption of certain production technologies and the crops under cultivation. For example, a study on agricultural mechanisation in The Gambia suggests that

particular labour supply bottlenecks were driving some farmers to mechanise (Van der Meijden, 1994). In turn, this mechanization provided opportunities to increase cultivated areas and yields, thereby increasing labour demand in non-mechanized operations. At the same time, the use of animal traction remained prevalent in the cultivation of groundnuts, rice, and certain other food crops. Moreover, women are traditionally employed producing specific crops, where they carry specific tasks and use particular technologies, and men are employed producing others. It is important to capture the intricacies of rural labour and agricultural production when developing policies to enhance productivity and the quality of employment in the rural areas.

Like much of the labour market in Gambia, rural labour markets are not subject, at least *de facto*, to effective regulation. Remuneration and working conditions depend on the particular agreements between employers and workers. These agreements vary according to task, crop, and the time of the year. Employment relationships reflect "norms" and conventions, and therefore are seldom subject to a legally enforceable contract. Thus, daily wages or payments for specific tasks (like groundnut threshing or weeding) have a "conventional price" that is territorially determined and sometimes village-specific. The fact that many of these labour transactions are highly personalised contributes to the localized and segmented nature of payment and work conditions. The village or district chief may settle any disputes in the event the parties are unable to reach a settlement on their own.

However, the recent introduction of the fee-based Resident Permits may have had implications on rural labour markets and production. Having been set at D7,500 per person per year for all non-Gambians, the provision has imposed restrictions on the available supply of migrant labour to the rural and agricultural areas. The new permit system not only had a dampening effect on agricultural production, productivity and output, but it also affected groundnut marketing activities that had hitherto depended largely on seasonal migrant labour for production and marketing. Therefore, efforts to improve farm output from the rural areas must address constraints to labour supply to agricultural production.

SKILLS PROFILE OF THE WORKFORCE

As discussed in previous sections, most of the labour force in The Gambia is employed in low-skill activities and, indeed, one highlighted problem has been the inadequate and generally weak skill base of the Gambian labour force. Thus, the labour force seems divided into two broad categories: a) a mass of workers with little specific and employable skills and very low or no basic education, b) a growing number of secondary school drop-outs and trainees of technical schools, who have concentrated in skills for clerical white-collar jobs in finance, services and tourism. Two issues emerged in the interviews with representatives of the public and private sectors concerning the segmented nature of the Gambian workforce.

First, it is often argued that one problem resides in the inadequacy of skill development and training given the features of the Gambian labour market and national-regional labour demand patterns. Few Gambians are trained for occupations in high demand, such as masons, carpenters, and wielders. These skills are seldom taught in formal schooling environments. Moreover, private training initiatives overwhelmingly concentrate on IT and management, cultivating skills for which there are currently a relatively few number of viable employment opportunities.

According to expert sources in the field of vocational skill training, the private training sector is essentially supply-induced as it depends on the interests, expected profits, and initiatives of small entrepreneurs who prefer to offer training in saturated fields. Most private providers are very short of capital and provide training that requires little investment, aiming fashionable courses at more educated and well-off classes of the urban youth. The degree of mismatch could be reduced by making training more demand-driven and encouraging employers to participate more actively in the development and implementation of training programmes. Moreover, the government could strengthen information systems on which skills are in demand and adopt a framework that regulates entry into the vocational training sector on the basis of what is required by the labour market.

Second, the overall skills base of the labour force remains very low, as reflected in the average years of schooling and the literacy rates. These basic skills provide for access to more advanced skills training, especially for apprenticeships in manufacturing and building sectors. Thus, a general improvement in basic literacy and numeracy seems a precondition for further strengthening the human capital in the country.

Furthermore, one of the most important routes to the adequate building of skills is on-the-job training and work experience (Sender *et al*. 2005). According to some interviewees, the perception among many Gambian youth that certain occupations are either too "low" in terms of career aspirations and prestige or too heavily dominated by foreigners discourage them from seeking employment in these areas. This can reduce the opportunities for Gambians to acquire necessary skills through work experience.

The current weaknesses in skills development may be traced back to the origins and historical evolution of the Gambian education system. The Gambia's formal education system evolved from the colonial system emphasizing the development of a cadre of lower and middle level support staff for the colonial administration. As the administration paid little attention to formal technical skills development, no facilities for such training were established. Requirements for technical skills were met through an informal apprentice system by which young adolescents, on completion of formal standard VII and Koran-based education, would be attached to practicing technicians in specific areas, particularly in public works and commercial firms, until certified as competent tradesmen. They would then be absorbed into these units depending on available vacancies or released to fend for themselves.

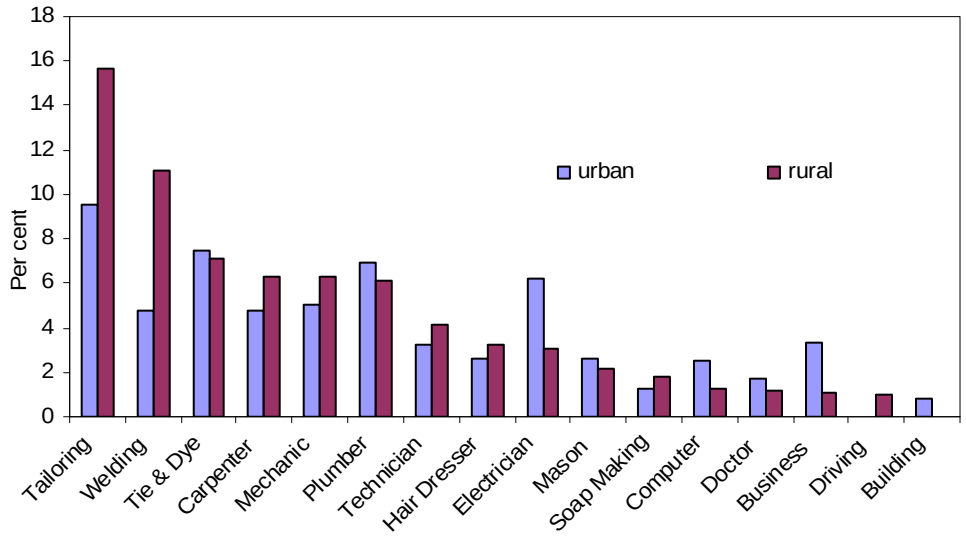
By the time of independence in 1965 only three high schools were in existence: The Gambia, St. Augustine's and St Joseph's High Schools. Two middle or secondary technical schools complemented the system: the Armitage in George Town, which opened in 1948 to cater to the education of the sons of chiefs and rural dignitaries; and the Crab Island School, which opened in 1958 to provide space for children who could not find places in the limited number of existing high schools. In the late 1970s the Ahmadiya Muslim mission added three more high schools, located at Bundung in KMC, Bwiam in the Western Division, and Basse in the URD.

Beginning in 1994, the provision of education has expanded rapidly. First, the number of formal schools increased significantly. Indeed, between 1999/00 and 2004/05 the number of schools went up by 100 (see Table A9 in the appendix). This increase was concentrated in secondary schooling, in an effort to meet the government objective to improve access to secondary schooling and to ease the transition from primary to secondary education.[32] Second, as noted above, the expansion of private sector training has also been remarkable, even if it was restricted to training in IT and business management, with few quality guarantees.

According to the results of the NTA survey, "the skills that are dominated by non-Gambians and still in short supply are: auto/motor mechanic, taxi driver, trader and hairdresser" (NTA, 2006, p. 15). Figure 20 summarizes the findings of unsatisfied demand for skills by type of area. Hence, training in tailoring, designing, sewing, tie & dye, plumbing, electrician, mechanics, welding and carpentry top the list of a large sample of respondents in urban and rural areas (NTA, 2006). There is a demand for the type of employable skills that foreigners possess. In sum, the expansion of education and training of Gambians is a valuable step forward, but one that needs to be complemented with programmes devoted to skills acquisition in priority areas.

FIGURE 20

Skills Shortages in Urban and Rural Areas, 2006. Per Cent of Respondents Identifying the Need for more Skilled Individuals by Skill Category



Source: Authors construction based on data from the National Training Authority, 2006 (Table 12).
Note: The tailoring category also includes designing and sewing.

IMMIGRATION AND SPATIAL MOBILITY OF LABOUR

The importance of foreign labour, particularly of Senegalese, was a recurrent theme in most of the interviews conducted and respondents raised a general concern about the extent to which the borders of the Gambian labour market are porous. Respondents indicated that in some sectors the overwhelming presence of "foreigners" was clear, such as construction (where apparently up to 80 per cent of workers are Senegalese), fisheries, and various trades in the informal sector in the overpopulated areas of Kanifing Municipal Area. It appears that even in sectors where the Gambian labour force has usually dominated, like tourism, the hiring of foreign workers is becoming increasingly common (up to 40 per cent of hotel workers may be foreign-born).

To keep things within perspective, one should not forget that although these figures are high, construction, fisheries, and tourism represent together less than ten per cent of total employment. Furthermore, data from the Census and the Economic Census suggests that the presence of foreign labour is not as important as the interviews suggest. Foreign-owned establishments, which might have an inclination to hire foreign workers, employ 22 per cent

of wage employees and account for 15 per cent of unpaid contributing workers (Table 2). The presence of foreign-owned establishments (across a number of sectors, but especially notable in trade activities) is more marked in urban areas, where they account for 25 per cent of all establishments. The population Census 2003 found that 13 per cent of both the economically active and employed populations were "non-Gambians". A recent survey of the fishery sector confirms a significant proportion of units owned by foreigners, mainly of Senegalese origin, but not overwhelming, as many of the individuals we interviewed had suggested.[33]

TABLE 2

Distribution of Workers by Type of Establishment

	Workers employed			
Type of establishment	**Paid labour numbers**	**Unpaid labour numbers**	**Paid labour in % of total**	**Unpaid labour in % of total**
Registered	38,046	14,516	33%	18%
Not registered	76,339	67,556	67%	82%
Individual proprietor	92,053	75,729	81%	92%
Partnership	9,388	5,598	8%	7%
Company	6,468	291	6%	0%
Cooperative	903	183	1%	0%
Public	3,349	-	3%	0%
NGO	1,563	90	1%	0%
Gambian Owned	86,408	69,338	76%	84%
Joint Gambian/Foreign	2,678	568	2%	1%
Foreign Owned	24,892	12,198	22%	15%
Total	114,086	82,122	100%	100%

Note: due to missing values for some variables tabulated, the sum of workers is lower than the final estimate of 223,610 workers from the full Economic Census 2004.

Source: Author calculations from Economic Census dataset.

There may be reasons to question the validity of some of the information collected through large-scale censuses and surveys. Survey enumerators normally have no means to confirm the nationality of the respondents and report what respondents say. Some foreign-born respondents may have obtained Gambian nationality after years of residence, even if they continue to be perceived as "foreigners". Thus, the actual distinction between Gambians and non-Gambians is not necessarily obvious or invariant in the context of a large-scale quantitative survey.

Four major reasons exist for the disproportionate presence of non-Gambian labour in various occupations. First, The Gambia is geographically surrounded by Senegal and their populations are linguistically and ethnically similar. This facilitates the movement Senegalese labour into The Gambia.

Second, there is an acute scarcity of skills among Gambians in particular occupations. This relative scarcity, especially vis-à-vis Senegal, may have some historical roots. As mentioned above, before the founding of the technical training school in Banjul in the 1960s, skilled labour was provided through informal apprentice arrangements within technical units of organizations and government departments. The manpower made available through this system was primarily targeted at meeting short-term needs identified by government and the existing foreign-owned commercial firms. No serious planning effort was ever made to develop a cadre of skilled technicians who could satisfy the needs of a growing population. As a result,

unforeseen and urgently needed skilled manpower needs were often met through migration from the neighbouring regions of Senegal, where the formal apprenticeship and skill based training institutions have been in existence since the colonial period. Moreover, a shortage of skilled labour in social services has traditionally existed. So the influx of educated refugees as teachers and health staff from war-torn Sierra Leone, Liberia and other West African Anglophone countries was quite significant in the recent past.

Third, the low cost of immigrant labour and the lack of enforcement of basic labour standards encourages the hiring of migrant labour. Wages offered in certain sectors may be too low to induce entry from local workers, although accurate measurements of the reservation wage among economically active Gambians are not available. Some argue that migrant workers, especially those coming for short periods of time, are more compelled to find irregular or seasonal work in order to save money before returning to their country of origin. Seasonal labour circulation between Senegal and The Gambia has the effect of driving wages down for certain occupations.

Fourth, some occupations, especially in the informal sector, tend to be highly segmented and rely on social networks to function effectively. This is the case with trade in which certain migrant communities (Mauritanian, Senegalese and Arab-Lebanese) seem to control large niches of the sector. If such networks are essential to be competitive in cross-border trade, the barriers to entry for Gambian workers may be high. The existence of closed networks of employers and workers with a significant migrant presence runs the risk of creating niche economies and reinforcing particular forms of economic exclusion along the lines of nationality and ethnicity. This could foster a degree of resentment among the local population, especially the urban youth, if unemployment figures and the incidence of "discouraged workers" increase.

LABOUR MARKET INSTITUTIONS

Labour institutions in The Gambia, a country characterised by a largely *laissez faire* regime, are generally weak. Neither the respondents from state and private institutions nor the Investment Climate surveys carried out by the World Bank mentioned labour regulation as a constraint on growth and private sector development. But the danger is that very weak labour institutions might actually hinder growth and development.

The minimum wage, for example, is an important labour force component that can assist in the reduction of poverty (Devereux 2005, Fields and Kanbur 2005, Lustig and McCleod 1996). The minimum wage in Gambia has not been reviewed since 1996 and it can be said that the minimum wage is institutionally non-existent.[34] The ongoing wage rate for very low-skill occupations (e.g., D50 in the construction sector) [35] seems far superior to the official minimum wage for similar jobs (currently at D12.9).

Labour unions appear to be of marginal influence. A system of periodic dialogue between private employers and workers' representatives does not seem to exist in practice even if some of these mechanisms at the industry level may be formally in place. Thus, it is unclear which organizations in The Gambia actually represent the interests of the workers across a wide range of sectors.

After interviews with representatives of the Labour Department, the private sector and other state institutions, it became clear that most labour market institutions in The Gambia are weak. They suffer from severe capacity constraints that impaired their important role in regulating and monitoring employment and labour market performance. Unfortunately, this

weakness has not been tackled by the National Employment Policy even as the document recommended bold actions towards the strengthening of the Labour Department and the country's labour market institutions.

4 CONCLUDING REMARKS AND RECOMMENDATIONS

Over the past 10 years, The Gambia has reversed several decades of slow and volatile growth performance. Despite the dramatic drop in economic growth in 2002, when groundnut production fell significantly due to crop failure, the economy grew at an average rate of 4.5 per cent from 1998 to 2005. Between 2003 and 2005, the average growth rate was even higher—at 5.7 per cent. These are peak growth rates in the country's post-independence history, yet faster growth has not translated into broad-based development and poverty reduction. This report has argued that, given recent trends and the structure of the economy, even if The Gambia maintained growth rates at around 6 per cent in the years to come, this level of growth alone would not be sufficient to improve employment opportunities and reduce poverty: the *type* of growth matters. Available data indicates that poverty in The Gambia increased when growth was slow, but the years of more rapid growth were only sufficient to prevent poverty from rising further. If growth generates few new opportunities for the people of The Gambia or if the benefits of this growth are unequally shared, achieving the country's development objectives and aspirations will become difficult, if not impossible.

One of the primary ways in which individuals participate in the economic life of the nation is through employment. A development strategy that aims to increase employment and improve its quality will widen the opportunities to share in the benefits of growth. The Gambia has already taken steps towards the implementation of an employment based development strategy as evidenced by the initiatives contained in the National Employment Policy (NEP) and National Employment Action Plan (NEAP). Furthermore, to support the implementation of NEP and NEAP the government has articulated The Gambia Priority Employment Program (GAMJOBS) 2007-2011.

This paper aimed to support the goals and objectives of initiatives such as the GAMJOBS programme by providing in-depth analysis in two critical policy areas: macroeconomic strategies and the Gambian labour market. Macroeconomic policies determine the overall environment within which a development strategy must operate. Such policies are broad-based and, if well-designed, will support targeted initiatives to create jobs and improve economic opportunities. However, improving the quantity of remunerative work through employment-friendly macroeconomics is not enough. Working Gambians need to realize higher returns to their labour and need to be in a position to take advantage of better opportunities when they arise. Therefore, policies which develop the labour force and improve the functioning of labour markets are essential.

One key finding of this report is that structural features of the Gambian economy and the nature of existing institutions influence the effectiveness of broad-based policy initiatives. For example, monetary policy can support the creation of better employment opportunities, but only if the financial sector is reformed to insure that resources are channelled to socially productive uses. Similarly, labour market regulations must be appropriately designed and enforced if the country's human resources are to be mobilized for development.

In the course of the research that went into this report, we examined major macroeconomic trends, employment conditions and the poverty situation using the available data available and assessed, when possible, changes and trends through time. The findings and recommendations of this paper are drawn primarily from macro trends, the poverty picture that emerges from the 2003 survey, and the status of employment as compiled from a variety of sources. As pointed out in the introduction, the primary purpose of this paper has been to identify areas in which macroeconomic and labour market policies could be changed or developed to better support an employment-focused growth strategy. Therefore, the paper has not attempted to present a set of detailed policy options for The Gambia, but instead presented broad recommendations that Gambian policymakers could use to inform their employment strategies. Based on the evidence and in line with the proposals contained in several government documents, this paper makes the following recommendations.

Monetary policy which attempts to achieve very low inflation rates by targeting the growth rate of monetary aggregates will often be unsuccessful because of the supply-side nature of price dynamics in The Gambia and the weak relationship between the growth of monetary aggregates and inflation. This type of monetary regime will contribute to high real interest rates and introduce a pro-cyclical bias which will impede the realization of poverty-reducing growth. Therefore, an alternative approach to monetary policy—for example, one that targets real interest rates at a level consistent with long-run economic growth—is warranted.

Financial sector reform is a necessary complement to an alternative approach to monetary policy. Policies are needed to channel resources to activities whose growth will improve employment opportunities and thereby improve the efficiency of macroeconomic interventions. The core objective of financial reform is to improve access to credit. Inadequate access to credit limits the productivity and increases the risks of small-scale enterprises and the self-employed. Financial reform to enhance access to credit should be pursued through a coordinated set of policies. Examples include initiatives to discourage banks from holding short-term government securities by providing incentives for extending credit to priority activities; develop a publicly financed credit guarantee scheme to lower risk premiums; facilitate the creation of better credit information systems to provide accurate data on the creditworthiness of underserved borrowers; support the development of financial institutions that operate independently of the commercial banking sector; and foster linkages between commercial banks and informal credit institutions.

An exchange rate regime which is informed by market dynamics but is managed to ensure international competitiveness should be used to improve the net export position of The Gambia. A competitive real exchange rate can also support improvements in the productive sector—such as creating a more diversified export base and encouraging the growth of domestic activities that may be subject to the adverse effects of excessive import penetration. Exchange rate policies, by themselves, are insufficient. They need to be accompanied by targeted industrial policies to support the development and diversification of the Gambian economy.

Industrial policies should target sectors that have the highest potential of employment creation, especially for unskilled labour. Sectors that have been identified as high priorities include horticulture, groundnuts, fisheries, re-export activities, and tourism. The types of policy interventions that would support the development of these sectors range from fiscal incentives to priority credit allocation for long-term investment to the provision of infrastructure. The ultimate goal of such policies is to generate new employment opportunities and raise the average quality of existing jobs. Therefore, the government

will want to monitor and evaluate the performance of beneficiaries in the private sector in terms of their ability to meet specific targets on employment creation, job quality, domestic investment, and up-grading their productive activities.

Most of the policies put forward in this report require carefully targeted and administered budget expenditures. Expenditures can be financed by improved domestic resource mobilization and supplemented by ODA inflows. Increases in domestic borrowing are only advisable if it can be shown that high debt levels will not compromise long-run fiscal sustainability and other macroeconomic goals. Capital expenditures are particularly important. The budget should make allowance for targeted public investments to ensure that the infrastructure needs are met for sectors prioritized for their employment impact. As part of the effort to scale-up infrastructure delivery, public work programmes could be used to directly create new employment opportunities.

If these employment strategies are to be successful in reducing poverty, they must be accompanied by efforts to improve the economic mobility of the poor and raise their average returns to labour. To this end, there is a need to ensure that skill and training policies are designed to enhance "employability". This will require both in-depth work with employers and labour force data to provide the skills and training that will be needed in the future. Institutions such as the NTA should be strengthened in order to better regulate the training offered by the private sector and to establish incentives for expanded training to develop skills in short supply.

Self-employment is an important source of income for many Gambians. Therefore, in the short-term, support for own-account workers and small-scale enterprises could be extended and improved. In part, this would involve improving access to credit—an issue already highlighted. But also it requires the provision of greater technical support to micro and small businesses. Special programmes providing support to micro and small businesses more likely to become self-sustained in current economic conditions should also be considered. Such programmes should also include middle-size businesses, which seldom qualify to access formal finance. For reasons of scale and employment, these businesses have a good poverty-reducing potential. Such support to micro, small and medium size businesses should include skills building, extension services, market facilitation, and building financial/credit management capacity.

Labour market institutions are relatively weak in The Gambia. Strengthening such institutions, especially the Department of Labour, will improve the efficiency of labour markets, better match human resources with emerging opportunities, and support economic growth. For example, the government could initiate a "stocktaking" exercise to evaluate the effectiveness and appropriateness of current labour legislation with the ultimate aim of devising a regulatory framework that can address market failures and reduce transactions costs for employers and workers. As part of this exercise, careful consideration could be given to the establishment of an appropriate and enforceable minimum wage that would support the country's poverty reduction targets.

Migrant labour is an important issue for The Gambia, given its unique situation as an enclave economy, surrounded by Senegal. Migrant workers support economic growth, employment creation and competitiveness. However, an appropriate regulatory environment needs to be developed to insure that the benefits of migrant labour are realized and any associated costs minimized. Specifically, the Gambian government should try to coordinate with the Senegalese to offer incentives for managed labour mobility between the two

countries, to exploit any potential complementarities, and to ensure compliance with minimum labour standards. In addition, policies should also seek to remove barriers to the labour market mobility of Gambians themselves. Specific job centres could also be developed to facilitate the entry of Gambians into sectors where demand is high.

Information on employment and the labour market situation is poor. This represents a significant handicap in developing an effective development strategy. Effective employment policies cannot be developed without reliable labour market information with which to evaluate successes and failures and to identify problems and potential solutions. There is a critical need to significantly improve the information systems on employment, labour force characteristics, and household living standards. At a minimum, The Gambia should assemble annual information, at least on formal employment, through the existing state institutions and private sector organizations that have access to such information. The role of the SSHFC should be extended to include the management of an annual private employment information system that generates data on a sectoral basis. Finally, there is a need to conduct regular, nationally representative household surveys with labour force and household enterprise modules. Such information would be a necessary input into the development of more effective employment-centred policies.

Taken together, this set of policy recommendations would constitute the elements of an employment-based approach to human development and poverty reduction. This brief, concluding discussion is not meant to be comprehensive. Instead, it attempts to illustrate how a coordinated approach to policy—at a number of levels—can define an economic strategy that would improve employment opportunities on a sustainable basis. In so doing, this approach would not only improve rates of growth, but also insure that the benefits of such growth are shared widely among the Gambian population.

APPENDIX

The appendix contains figures and tables which supplement those in the main text and provide detailed statistics on a number of the issues discussed. A list of the figures and tables can be found below.

SUPPLEMENTAL FIGURES

Figure A1. Agricultural Value-Added per Worker, 1970-2003.
Figure A2. Nominal and Real Exchange Rate Indices, 1970-2006.
Figure A3. International Price Indices for Groundnuts and Groundnut oil, 1970-2006.
Figure A4. Total tax revenues from all sources, 2001-2005.
Figure A5. Percent of wages and fringe benefits of employees in total value added by industry, 2004.
Figure A6. Urbanization trends, 1960-2005.

SUPPLEMENTAL TABLES

Table A1. Budget revenues, 2001 and 2005.
Table A2. Poverty indicators by region, 2003.
Table A3. Basic employment indicators: various strata, 2003.
Table A4. Components of Value Added by Industry, 2004.
Table A5. Sectoral distribution of employment and economic activity, 2004.
Table A6 (a-c) Top 10 occupations of employed population (disaggregated by sex), 2003.
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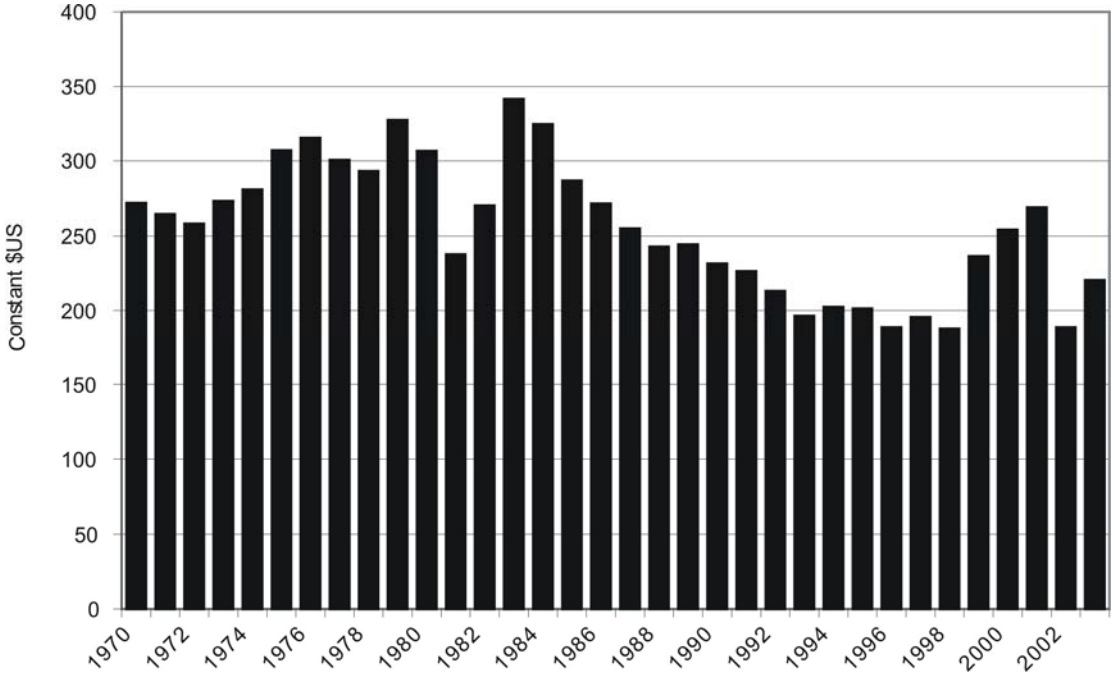
Table A8. Distribution of economically active and employed population by industry, disaggregated by Sex, 2003.
Table A9. Number of schools nationwide by level, 1999-2004.

FIGURE A1

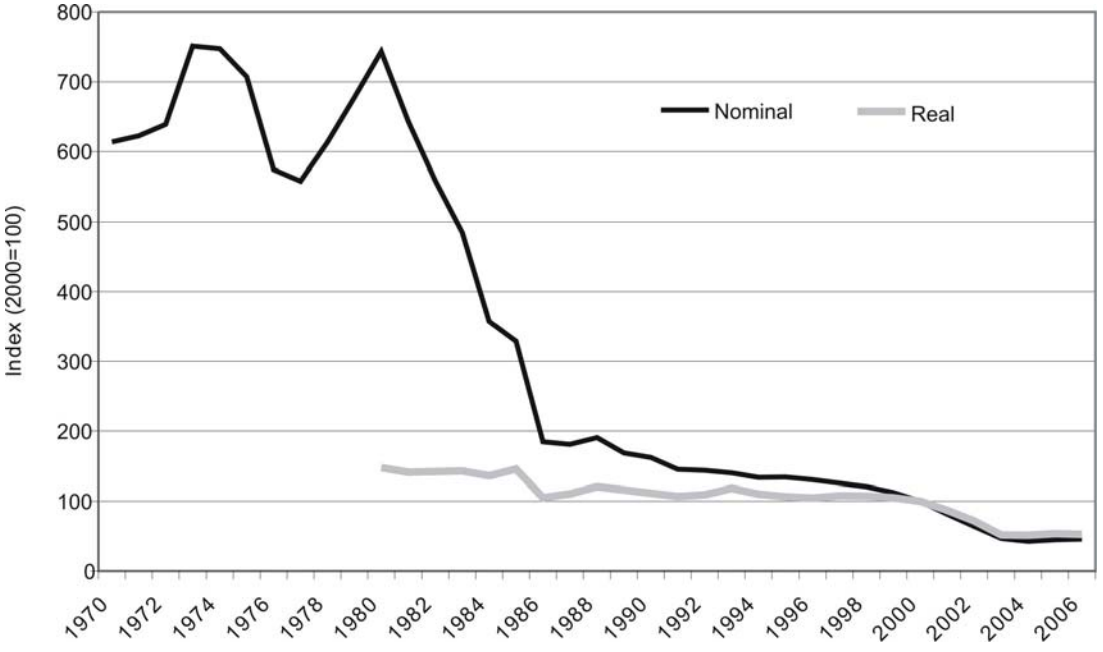
Agricultural Value-Added per Worker, The Gambia, 1970-2003



Source: World Development Indicators, 2006.

FIGURE A2.

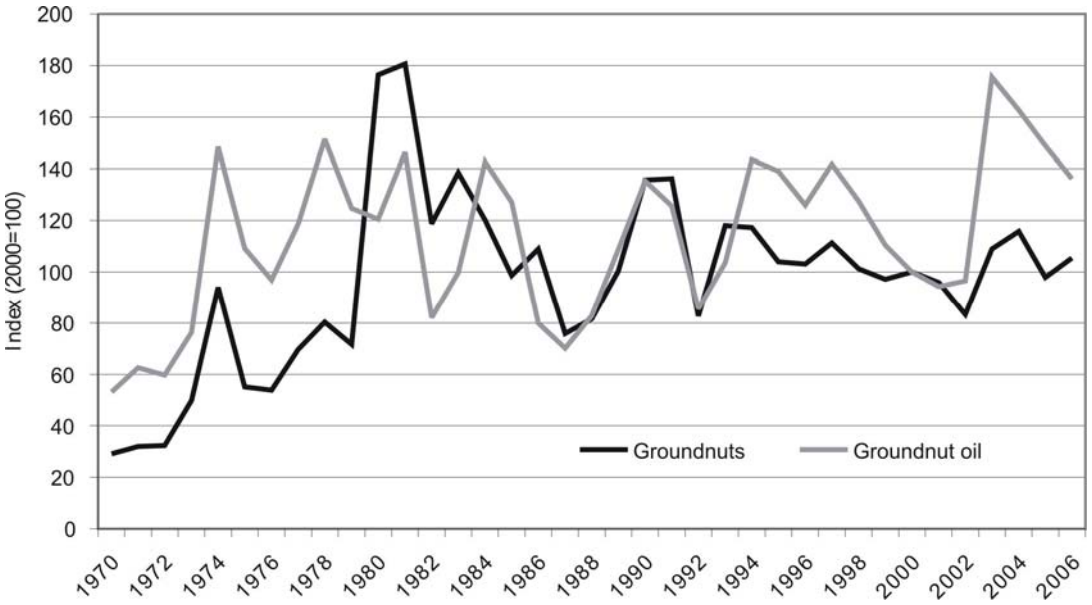
Nominal and Real Exchange Rate Indices, The Gambia, 1970-2006



Source: International Financial Statistics, June 2007.

FIGURE A3.

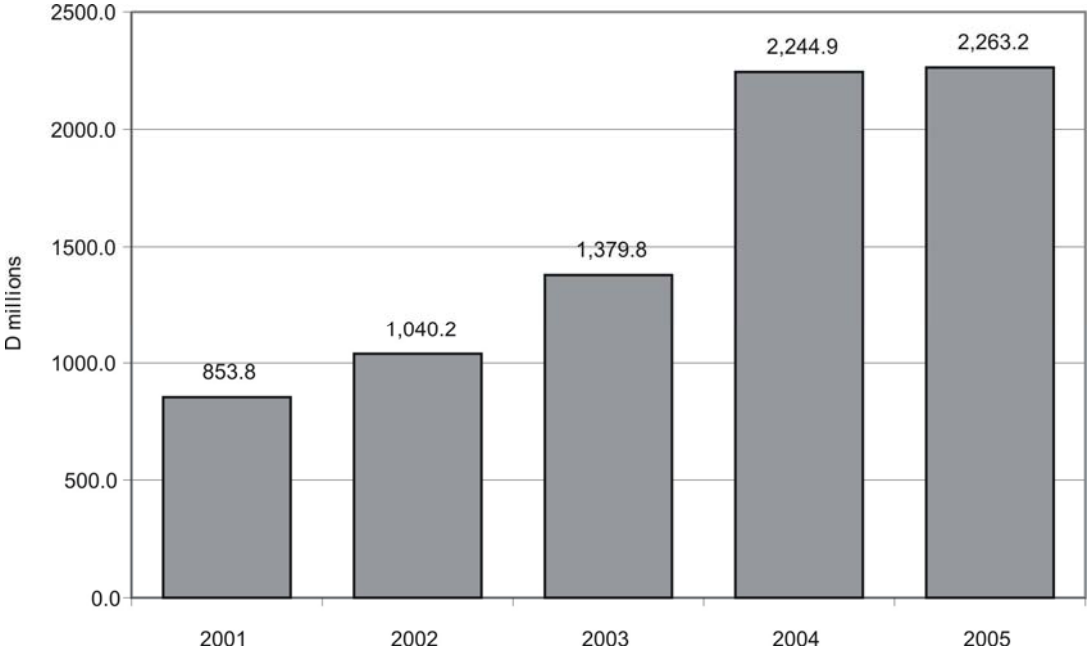
International Price Indices for Groundnuts and Groundnut Oil, 1970-2006



Source: International Financial Statistics, June 2007.

FIGURE A4

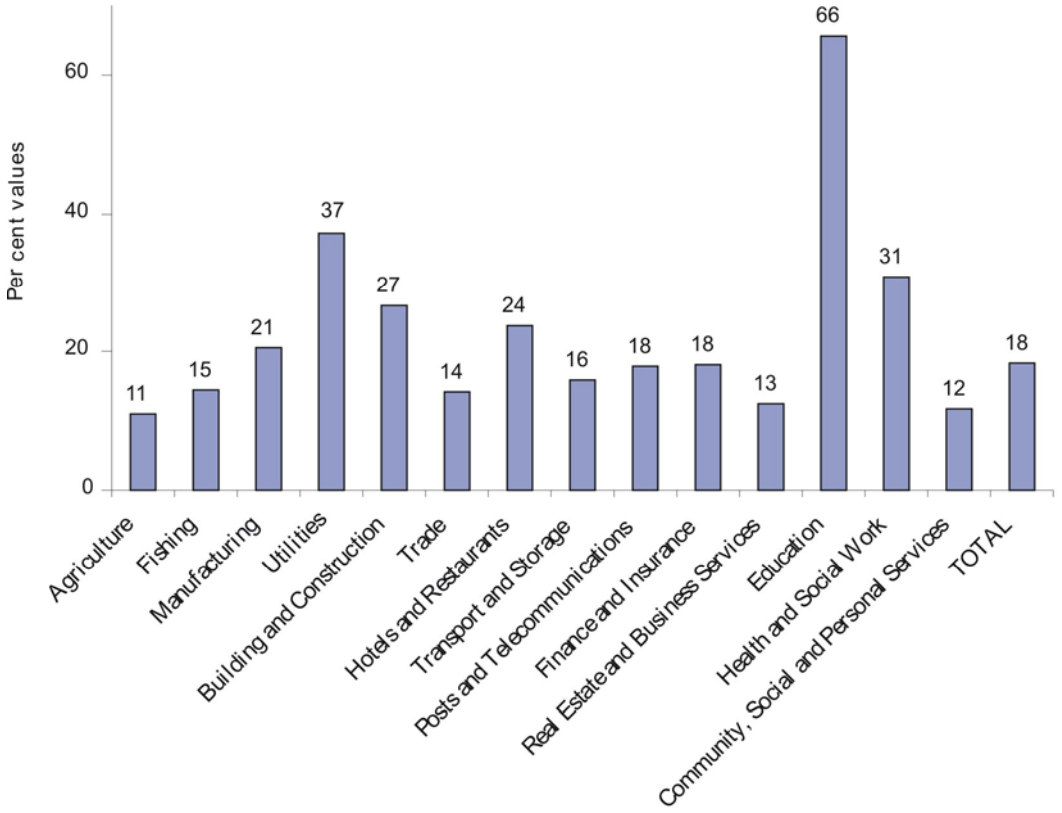
Total tax Revenues from all Sources, The Gambia, 2001-2005 (Millions of Dalasis)



Source: Central Bank of The Gambia.

FIGURE A5

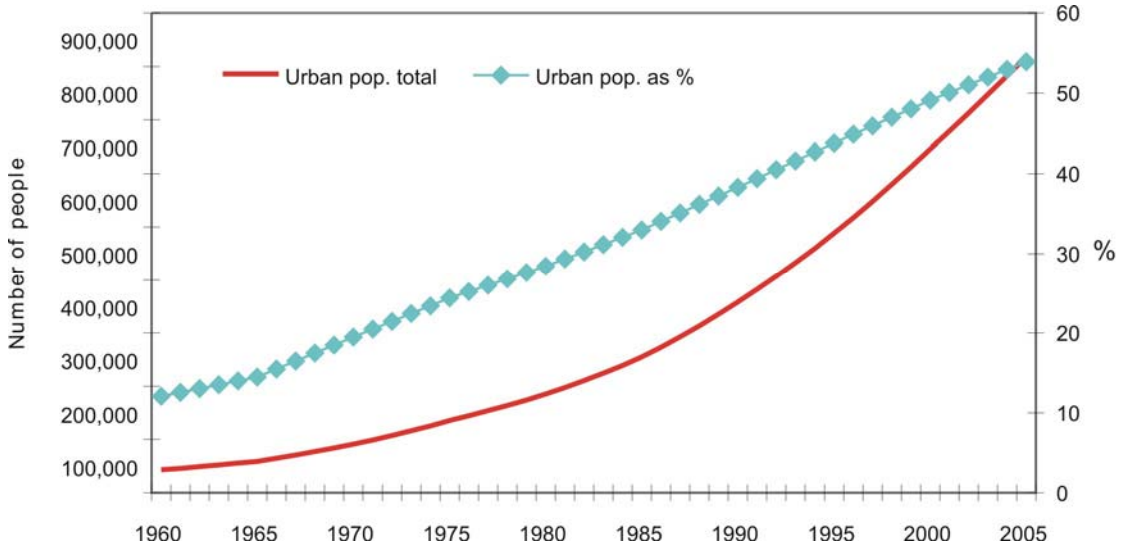
Percent of Wages and Fringe Benefits of Employees in Total Value Added by Industry, 2004



Source: Authors' calculations based on data from Economic Census 2004.

FIGURE A6

Urbanization Trends, 1960-2005 (Population Projections)



Source: World Bank Development Indicators 2006.

TABLE A1

Budget Revenues, The Gambia, 2001 and 2005

Revenues	2005	2001
Total revenue	D2,263 millions	D990 millions
… of which …		
Direct taxes	26.2%	25.4%
Indirect taxes	60.6%	60.9%
domestic taxes on goods and services	14.4%	7.5%
taxes on international trade	46.2%	53.4%
petroleum taxes	11.3%	15.1%
Non-tax Revenue	13.3%	13.7%
Grants	8.4%	13.7%
HIPC II assistance	0.7%	6.9%

Source: The Central Bank of The Gambia.

TABLE A2

Poverty Indicators by Region, 2003

Poverty	Domain	Estimate	Std. Err.
Head count index	National	58.0	2.0
	Banjul+ Kanifing	34.0	3.7
	Other urban	56.0	5.0
	Rural	67.8	2.6
Poverty gap	National	25.1	1.4
	Banjul+ Kanifing	12.7	1.7
	Other urban	21.1	3.0
	Rural	30.5	2.0
Poverty severity	National	13.9	1.1
	Banjul+ Kanifing	6.1	1.0
	Other urban	10.8	2.0
	Rural	17.4	1.6

Note: Based on upper poverty line.

Source: GBOS, 2007.

TABLE A3

Basic Employment Indicators: Various Strata, Population Census 2003

	Labour force participation rate	Employment rate	Unemployment rate
Urban	45%	40%	10%
Rural	54%	53%	2%
Male	53%	52%	6%
Female	46%	41%	6%
15-24	40%	35%	12%
20-24	54%	47%	13%
25-49	77%	73%	5%
50-64	80%	78%	2%
65+	63%	62%	2%
Literate	41%	39%	7%
Illiterate	66%	63%	5%
Total Gambia	48%	45%	6%

Note: These data exclude people aged 0-6. Labour force participation rate= ratio economically active / relevant group; Employment rate = employed / total population in relevant group; Unemployment rate = unemployed / active.

Source: Authors calculations from Population Census 2003

Table A4

Components of Value Added by Industry, 2004

Industry	Compensation of Employees	Depreciation	Taxes Less Subsidies	Operating Surplus	Value Added
	Per cent				
Agriculture	**11.0**	4.4	1.6	83.1	100
Fishing	**14.5**	6.3	2.6	76.6	100
Mining and Quarrying	**N\A**	N\A	N\A	N\A	100
Manufacturing	**20.5**	12.7	8.6	58.2	100
Utilities	**37.3**	33.0	8.0	21.7	100
Building and Construction	**26.6**	15.4	14.0	44.0	100
Trade	**14.2**	7.7	9.3	68.9	100
Hotels and Restaurants	**23.7**	16.8	10.3	49.2	100
Transport and Storage	**15.8**	16.2	12.6	55.4	100
Posts and Telecommunications	**17.8**	12.2	11.7	58.3	100
Finance and Insurance	**18.2**	14.0	12.5	55.2	100
Real Estate and Business Services	**12.6**	5.8	9.8	71.8	100
Education	**65.6**	1.7	-31.8	64.5	100
Health and Social Work	**30.8**	6.7	-20.0	82.5	100
Community, Social and Personal Services	**11.8**	5.3	6.8	76.1	100
Total	**18.4**	**11.3**	**8.8**	**61.5**	**100**

Source: Economic Census 2004.

TABLE A5

Sectoral Distribution of Employment and Economic Activity: Firms, Employment, Gross Compensation, Earnings Per Worker, Output, and Value Added, The Gambia, 2004

Industry	Establishments	Employment	Compensation of Employees D'000	Earnings per employee (annual average)	Gross Output Dalasis (D '000)	Value Added Dalasis (D '000)
Market Gardening and Horticulture	4,675	12,243	9,865	806	602,329	321,041
Fishing	1,500	4,462	113,570	25,453	1,114,535	783,243
Mining and Quarrying	66	102	----	----	332,840	266,938
Manufacturing	9,053	34,694	166,863	4,810	1,600,491	813,189
Utilities	1	900	51,578	57,309	543,511	138,529
Building and Construction	717	4,544	261,456	57,539	1,616,945	982,178
Trade	56,549	114,486	574,755	5,020	7,050,116	4,055,119
Hotels and Restaurants	1,122	9,167	255,805	27,905	1,638,478	1,078,070
Transport	4,235	14,356	244,000	16,996	2,279,786	1,546,790
Posts and Telecommunications	3,885	7211	194,804	27,015	1,654,582	1,096,420
Finance and Insurance	99	1,854	192,229	103,683	1,414,595	1,053,555
Real Estate and Business Services	530	2,689	39,194	14,576	429,844	311,060
Education	1,276	10,087	91,346	9,056	191,003	131,486
Health and Social Work	226	3,826	132,821	34,715	641,398	327,570
Community and Personal Services	1,379	2,989	41,826	13,993	507,820	354,458
Total	85,313	223,610	2,370,112	10,599	21,618,273	13,259,646

Note: Excludes government, imputed rent and crop growing.

Source: Authors calculations from Economic Census dataset.

TABLE A6A

Top 10 Occupations of Employed Population (Overall)

		Male	Female	Total numbers	In % of total	Cumulative %
1	Crop growers	95,749	147,253	243,002	50.0%	50.0%
2	Stall market seller	11,978	13,906	25,884	5.3%	55.4%
3	Frame building (builder)	22,464	398	22,862	4.7%	60.1%
4	Sales persons	15,424	5,332	20,756	4.3%	64.3%
5	Street vendor	6,282	13,655	19,937	4.1%	68.4%
6	Vehicle driver	16,822	220	17,042	3.5%	71.9%
7	Domestic cleaner	1,857	13,526	15,383	3.2%	75.1%
8	Textile worker	8,050	2,152	10,202	2.1%	77.2%
9	Protection services	6,729	677	7,406	1.5%	78.7%
10	House keeping	3,310	3,796	7,106	1.5%	80.2%

Source: Authors calculations from Population Census 2003.

TABLE A6B

Top 10 Occupations of Employed Population (Male)

		Male	Female	Total numbers	In % of total	Cumulative %
1	Crop growers	95,749	147,253	243,002	36.1%	36.1%
2	Frame building (builder)	22,464	398	22,862	8.5%	44.6%
3	Vehicle driver	16,822	220	17,042	6.3%	50.9%
4	Sales persons	15,424	5,332	20,756	5.8%	56.7%
5	Stall market seller	11,978	13,906	25,884	4.5%	61.3%
6	Textile worker	8,050	2,152	10,202	3.0%	64.3%
7	Protection services	6,729	677	7,406	2.5%	66.8%
8	Street vendor	6,282	13,655	19,937	2.4%	69.2%
9	Fishery	5,424	628	6,052	2.1%	71.2%
10	Mechanic	5,150	95	5,245	1.9%	73.2%

Source: Authors calculations from Population Census 2003.

TABLE A6C

Top 10 Occupations of Employed Population (Female)

		Male	Female	Total numbers	In % of total	Cumulative %
1	Crop growers	95,749	147,253	243,002	66.8%	66.8%
2	Stall market seller	11,978	13,906	25,884	6.3%	73.1%
3	Street vendor	6,282	13,655	19,937	6.2%	79.3%
4	Domestic cleaner	1,857	13,526	15,383	6.1%	85.4%
5	Sales persons	15,424	5,332	20,756	2.4%	87.8%
6	House keeping	3,310	3,796	7,106	1.7%	89.5%
7	Textile worker	8,050	2,152	10,202	1.0%	90.5%
8	Secretaries	599	1,754	2,353	0.8%	91.3%
9	Food processing	3,479	1,479	4,958	0.7%	92.0%
10	Primary education (teacher)	2,567	1,296	3,863	0.6%	92.6%

Source: Authors calculations from Population Census 2003.

TABLE A7

Training Received, Total Labour Force Disaggregated by Sex, 2006

		Men	Women	All
1	Tailoring/sewing/designing	3.3%	4.0%	3.7%
2	Gardening/farming	2.3%	3.7%	3.1%
3	Computing	2.2%	3.2%	2.7%
4	Driving	4.8%	0.1%	2.4%
5	Carpentry	4.6%	0.1%	2.3%
6	Soap making	0.1%	4.3%	2.2%
7	Trading	2.2%	2.2%	2.2%
8	Teaching	2.9%	1.3%	2.1%
9	Tie & dye	0.2%	2.7%	1.5%
10	Mechanic	2.7%	0.0%	1.3%
11	Construction	2.4%	0.2%	1.3%
12	Accountancy	1.4%	1.0%	1.2%
13	Electrician	2.1%	0.1%	1.0%
14	Business (management)	1.0%	1.0%	1.0%
15	Masonry	2.0%	0.0%	1.0%
	No training received	45.5%	61.4%	53.7%

Source: NTA (2006).

TABLE A8

Distribution of Economically Active and Employed by Industry and Sex, 2003

Industry	Economically Active	Employed	Per cent of employed by sector	Economically Active		Employed	
				Male	Female	Male	Female
Agric. & Animal	242,326	241,727	50.1%	98,101	144,225	97,798	143,929
Fisheries	6,780	6,778	1.4%	5,668	1,112	5,667	1,111
Manufacturing	24,635	24,580	5.1%	19,199	5,436	19,153	5,427
Electricity,	11,355	11,317	2.3%	10,984	371	10,948	369
Construction	18,983	18,929	3.9%	18,584	399	18,530	399
Trade	74,626	74,495	15.4%	42,096	32,530	42,027	32,468
Hotels & Rest	10,208	10,155	2.1%	5,989	4,219	5,964	4,191
Transport	24,125	24,030	5.0%	22,448	1,677	22,362	1,668
Financial	7,431	7,415	1.5%	5,450	1,981	5,440	1,975
Community and social services	59,820	59,627	12.4%	35,908	23,912	35,818	23,809
Not Stated	33,121	3,386	0.7%	18,013	15,108	1,683	1,703
Total	513,410	482,439	100%	282,440	230,970	265,390	217,049

Source: Author calculations from Population Census 2003.

TABLE A9

Number of Schools Nationwide by Level, 1999-2004

	1999-2000	2004-2005
Lower Basic	346	348
Upper Basic	86	97
Senior Secondary	25	49
Total	457	557

Source: Gambian authorities.

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NOTES

1. Estimates of the size of the Gambian labour force over time are used to derive estimates of the level of employment for a particular unemployment rate.

2. Employment data from 2003 Census. GDP data from the Central Bank of The Gambia.

3. See also World Bank and Government of The Gambia (2006).

4. For early growth trends see the discussions in McPherson and Radelet (1995).

5. Data from the Central Bank of The Gambia, the IMF (International Financial Statistics), and the World Bank (World Development Indicators) show a persistent current account deficit (before official ODA transfers) over time.

6. The correlation coefficient between the annual growth rate of M1 and the growth rate of broad money is 0.67.

7. The correlation coefficient between the inflation rate and the growth of broad money for the period 1971-2005 is 0.06 – nearly zero.

8. According to the IMF's International Financial Statistics, this D 93 million in credit amounts to only 4.2 per cent of total credit extended to the private sector.

9. In 1985, The Gambia implemented a wide range of reforms as part of a program of structural adjustment and economic liberalization, called The Economic Recovery Program. See essays in McPherson and Radelet (1995).

10. In the past, countries have attempted to improve their external balance through an import-substitution industrialization strategy, in which efforts were made to decrease reliance on imported goods (through tariff protections and other measures). However, dependence on imported inputs, raw materials, energy, and capital goods often remained. Because of this, many countries tended to maintain a strong real exchange rate to reduce the price of imported inputs. This constrained access to global markets and placed constraints on the process of industrialization, which had to depend on the domestic market alone. Such an approach would be particularly problematic for The Gambia because of its small domestic market. However, the objectives of the import substitution approach, if not its methods, remain valid: encourage domestic industrial development and a more favourable external balance.

11. Estimates from the balance of payments statistics, Central Bank of The Gambia.

12. Budget data on the financing of the expenditure gap were taken from the Central Bank of The Gambia.

13. The recently formed Monetary Policy Committee is composed of staff from the Central Bank (monetary policy) and the Department of State for Finance and Economic Affairs (fiscal policy).

14. This association also occurs because it is assumed that there are no economies of scale in household consumption. This assumption is, of course, questionable. See, for example, Deaton and Paxson (1998) and Lanjow and Ravallion (1995).

15. This rate may seem low and at odds with current perceptions that unemployment is very serious in The Gambia. However, this estimate is perfectly consistent with the definitions and data collection methods used in the Census. Any form of economic activity, including own-account farming is considered "employment" regardless of its seasonality and frequency. Thus, in reality the unemployment rate may not be a useful indicator of inadequate demand for labour in a country where employment is dominated by agricultural and informal employment.

16. The National Employment Action Plan (2001) quotes a figure of 28 per cent for urban youth unemployment. Either rate, a 22 or 28 per cent, poses a significant challenge to policy makers. The National Employment Policy (NEP, 2001) provides very little empirical evidence on measured rates of unemployment. The NEP states that The Gambia has "an open unemployment level (*sic*) of 26% (with significant variations in age, gender and geographical location)" (p. 2) which is nearly identical to the unemployment rate quoted for the subset of the population aged 20-24 years old (28 percent). This suggests that the reported estimates may be inconsistent. Unfortunately, the NEP provides no reference for the source of these estimates.

17. These results should be interpreted with caution as they are based on limited sample of the employed people.

18. A micro-level study in peri-urban areas of Banjul also showed that most individuals involved in non-farm wage employment were employed for almost the entire year (Roth et al. 1996). The same report shows that many self-employed activities display a more marked seasonal or irregular character.

19. This suggests that a large proportion of the totally recorded wage employment (107,754 from the population census 2003) is registered in the SSHFC. Given the high degree of "informality" shown by the results of the Economic Census these data from the SSHFC is rather surprising and puzzling. The IMF estimated only 37,461 wage employees in 1998. As employment has not increased so rapidly, SSFHC figures seem inconsistent with the other sources.

20. Monthly average earnings of a hotel worker including tips have been estimated at 5,000D; even for a half-year job, that would imply an annual wage of D30,000 wage (Mitchell and Faal, 2006).

21. These data were collected by the recent NTA survey. See also NTA (2006).

22. Madrassas and daaras are Islamic/Koranic religious schools, "daara" being the Wolof word commonly used in Senegal and The Gambia.

23. The areas of training reported in the NTA survey to an extent reflect the main areas of actual and potential employment according to respondents' perceptions. These are areas where various state and non-state actors have invested resources in training.

24. Women's higher level of education in formal paid employment may be a result of existing labour market barriers and gender segmentation. If women face more stringent barriers to certain forms of employment, the few women who end up working in these jobs may have better qualifications on average than would be the case for men (on average).

25. Migration from rural areas, especially among the youth, is not *per se* a very alarming development so long as this is not simply a result of "push" factors (i.e., agrarian crisis or stagnation) but also of "pull" factors (i.e., better remunerated

and stable job opportunities in urban areas). However, high and rising urban poverty rates suggest that push factors have prevailed over pull factors in the last decade.

26. Most available evidence would suggest that the bulk of remittances come from the overseas diaspora in Europe or the USA. However, it is also possible that evidence on internal remittances has not been sufficiently well recorded.

27. According to The Gambia Port Authority sources this segment of their workforce is actually oversized given changes in port management and technology.

28. See also Government of the Gambia (2006, p. 54) and World Bank (2005).

29. This is also clearly highlighted by the PRSP II (2006, p. 32), which presents the paradox of graduate unemployment with some vacancies in the public sector, quoting the low salaries as a possible cause.

30. See also IMF 2006, p. 16. IMF figures show greater wage compression than those figures obtained from the SSHFC register. According to the IMF data, the public sector wage scale ranged from a minimum of 7,511 to a maximum of 54,707, in terms of basic pay. The revised scale in 2006 shows a much wider range from lower to upper bounds.

31. This includes the so-called "subvention bodies" such as GTTI, the Gambia College, the Farafenni Hospital, and others.

32. An alternative solution consistent with this trend would be to reform the curriculum in order to reduce the mismatch between skills acquired in secondary level and skills demanded by the labour market. Currently, educational curricula at all levels are being reviewed and structured in line with the country's development needs. Skills courses and courses for the professions in commerce are now an integral part of the curricula of all schools from the upper basic to the senior secondary level. However, the NTA results suggest that there is still a long road ahead in this matter.

33. The report documents the large presence of Senegalese fishermen operating in the Atlantic coast, north and south of Banjul. The estimates suggest that up to 60% of fishermen in the area are foreign-born, mainly from Senegal but also from Ghana. River fishing, on the contrary, is clearly dominated by local fishermen but in terms of catches is less important than ocean fishing.

34. Although information on minimum wages for various categories of workers was published in a recent IMF report (IMF 2006), most respondents in the Department of Labour were unable to provide such information and seemed not to know all the various levels of minimum wage according to category.

35. This information was obtained in an interview with a major construction operator and his supervisors in The Gambia as well as with other key informants from the NTA. The wage rate quoted referred to the work of unskilled construction workers with simple tasks (e.g., offloading trucks, preparing cement, etc.)

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