Salary Trends in Africa: Everything You Need to Know

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Salaries are a vital tool used by employers to give their employees a means of livelihood and incentivize them not only to work but also to work wholeheartedly and keep employee morale high. Salaries also serve as a protective barrier for employees to keep their employees committed to the organization, ultimately preventing attrition which translates to a loss of human capital. Human capital also has significant financial impacts, which can adversely impact any company/ organization. Within Africa, salaries serve the same purpose as discussed previously, however as a continent that is by and large still developing from third world status, we find that levels of remuneration differ in comparison to the rest of the globe.

Unemployment Rate

Using the most significant and best-performing economy in Africa, South Africa, as a proxy, we can take a quick look at the status of the salary trend and use that as a rough estimate of the state of Africa. For example, as of Jan 2021, the unemployment rate in South Africa was at 32 %, which is relatively high compared to the United States economy, which was most recently recorded to have an unemployment rate of 6 % in March 2021. Using basic yet fundamental economics, we can deduce that due to the higher availability of labor supply and low demand for labor by employees that wage rates within South Africa, and by extension Africa, tend to be much lower than wage rates in developed countries such as the United States of America, or the West in general.

This puts Africa in a messy situation as Economic research has emphasized the importance of labor income in the sustainable development of emerging economies (International Labor Organization 2018). Since most countries in Sub-Saharan Africa do not conduct separate wage surveys, data about salaries are typically gathered through administrative records. The information collected is generally about nominal salaries or the amount of cash paid to workers. However, the level of prices in the country in question must also be considered: inflation decreases the buying power of nominal wages if they do not change at the same rate. As a result, “real” wages are calculated using a price index that represents the price level of a basket of household products and services (“consumer price index”):. As a result, an increase or decrease in real wages leads to an increase or decrease in real income or a reduction in the volume of goods and services available for nominal wages.

Real Income

According to data given by countries (ILO 2018), average real wages in Africa tend to have increased overall during the global recession of 2008–09, increasing by 19 % on average between 2006 and 2019. Northern Africa's growth has been slightly faster (22%) than Sub-Saharan Africa (15%), particularly up to 2013. It is, of course, expected to notice a significant dip in these growth rates when analyzing 2019-2021 when factoring in the effects of the COVID-19 global pandemic, which resulted in a mass loss of jobs and income across the globe. Real income is an inverse function of inflation. Inflation levels in Africa were typically higher over the last decade than in the rest of the world, according to changes in consumer price indices (Over the period 2007–17, the average annual inflation rate in Sub-Saharan Africa was 5.8%, a 2.3 percentage point increase. In high-income nations, the incidence is higher than the average (3.5 %).

Wage Employment

Wage employment refers to any paid job under contract in both formal and informal industries. We find that in Africa, the proportion of individuals under wage employment is relatively tiny compared to those that are just "employed." This is mainly due to the large informal sector within Africa where wages are undefined, or individuals are self-employed selling goods as vendors. Although wage employment is generally low in Africa, it has experienced a slow increase from 2013-2017 (from 21.9% to 22.5%). This slow increase is expected to exhibit a dip when looking at post-COVID statistics.

In addition to the low-wage employment exhibited in Africa, it has also been observed that the involvement of females in this already low percentage is a cause for concern. Of the 21.9% observed in 2013 less than a third was contributed by females. By 2017 this ratio was more or less the same. This communicates to us that the involvement of females in the wage employment of Africa is disproportionately low.

Gender pay gap

Similar to other parts of the globe, Africa displays a severe gender wage gap. Unlike other parts of the world, however, the impacts of this gap are more potent due to the high unemployment rates and low wage employment rates. In some instances, women are observed to earn as much as 50% less than men working the same role at a similar organization. The wage gap in Africa is a great cause for concern that needs serious implementation to combat. To demonstrate the severity of the wage gap in Africa, the Global Wage report revealed that South Africa has the second-worst part-time wage gap in the world. This is just a snapshot of a more significant issue.

Gini Coefficient

The Gini coefficient summarizes the wage disparity among salaried workers. It is a percentage that varies from 0% to 100%. A Gini coefficient of 100% shows the greatest difference in values.

In other words, a single paying employee receives a country's entire wage bill). A Gini coefficient of 0 implies perfect equality (i.e., all paying workers to receive the same amount of money. The majority of Gini indices observed in Africa are well above 50%, for example, 63.2%,62.5%, and 60.5% for Lesotho, South Africa, and Botswana, respectively, as of 2021 (World Population Review,2021). This communicates that, in general, there is a great divide between wages at the top of an organization compared to those at the bottom. A high Gini coefficient can be indicative of high levels of inequality which is unfortunately synonymous with Africa.

Conclusion

A general look at the wage trends in Africa reveals four main findings that need to be addressed to boost Africa. Inflation continues to rise at above-average rates. The actual wage employment is too low, the gender wage gap is too large, and there are below-average levels of wage dispersion which indicates high inequality. These issues are influenced by several factors, such as economic and political policies. However, in a nutshell, they prove that Africa still has a long way to ensure its workers earn a just living wage.

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