

## ► Policy Brief

December 2020

# Cameroon - Rapid evaluation of the impact of COVID-19 on employment and the labour market in Cameroon<sup>1</sup>

### Key points

- The employment situation is characterized by a preponderance of the informal economy in Cameroon and a rapid increase in the labour force, with little access to employment services towards obtaining a decent job. This leads to a high vulnerability of jobs despite a relatively low unemployment rate.
- The country was affected by a revenue slump as oil prices fell in 2018 and by the time when the economy was expected to grow again, the COVID-19 pandemic changed the trajectory of GDP growth.
- An economic recession is now expected in 2020, amplified by several shocks such as a new fall in the price of oil, significant budgetary spending to improve security in the northern and English-speaking areas and more recently the negative socio-economic effects of the health crisis.
- The containment measures, including the closure of the air and land borders that were implemented between April and June, have had the effect of reducing the volume of labour, production and turnover of enterprises, labour remuneration and jobs, both in the modern and informal sectors.
- Informal sector workers (mainly women), who account for more than 90 per cent of those employed, are most directly affected with health risks, lost income, all of which are reflected in a decline in consumption, investment and a deterioration in the country's economic situation.
- Cameroon is already implementing its health, socio-economic response plan, which has led to a budget review, issuing of treasury bills, reductions in taxation for businesses and households, to better cope with the effects of COVID-19.
- The country is focusing on the extensive diversification of its economy in the medium and long term, taking advantage of its enormous natural potential, to broaden the productive base and fiscal base and to better respond to crises similar to that of COVID-19.
- However, because of its weak fiscal space, it is difficult, to provide a high degree of support to workers in the informal economy, and to extend social protection measures to vulnerable workers in a context of crises that are increasing pressures on public finances.

<sup>1</sup> The note was prepared in the framework of the rapid evaluations of the health crisis linked to support from the International Labour Office, more specifically the EMPLOYMENT Department, which collaborated with the ILO Decent Work Team for Central Africa (DWT-Central Africa, Yaoundé), to carry out this work with the support of a national consultant, Mr Fomba Kamga Benjamin, Associate Professor of Economic Sciences in the University of Yaoundé II. The report was the subject of a presentation by Mr Ali Madaï Boukar, subregional expert in employment and productive development (technical coordinator for the preparation of the report, ILO-Central Africa) at the seminar organized in August 2020 by the EMPLOYMENT Department, in a WEBINAR which gathered pertinent observations for its enrichment. The report benefited from the invaluable advice and outstanding contributions of Mrs Eléonore D'Achon (Expert on employment policies, EMPLOYMENT Department, ILO, Geneva).

## ► Introduction

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The COVID-19 pandemic led to a global health crisis with major socioeconomic impacts. In Cameroon, the first case of COVID-19 was recorded on 6 March 2020. Since then, the number of cases has risen constantly, rising from 2062 cases at the end of April 2020 to 7392 cases by 4 June 2020, making Cameroon the seventh most infected country in Africa (MINSANTE, 2020).

In the face of this situation, the Cameroon Government implemented prevention and response strategies with the aim of limiting the spread of the pandemic.<sup>2</sup> The various measures included the closure of land and air borders, the closure of schools and universities, reduction in places on urban road transport and restrictions on inter-urban travel. Other services such as shops, hotels and catering, etc. suffered considerable disruption. In addition, many

restrictive measures were put in place to limit the spread of the disease.

In the labour market, these various measures forced businesses to introduce adaptation measures such as teleworking, reduction in working hours, lay-off of non-essential staff, reduction of personnel through redundancy due to fall in production and turnover. To counter these effects, the Government implemented corrective measures aimed at businesses and households. Despite these measures, it is probable that the impact of the pandemic on employment and the labour market will not be stemmed or contained in the absence of other additional socioeconomic measures, which take account of the evolution of the pandemic.

## ► 1. Socioeconomic situation

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### 1.1. Economic growth and trends in per capita income

The leading economy of the Central African Economic and Monetary Community (CEMAC) and engine of economic growth of this sub-region, Cameroon accounted for some 40 per cent of CEMAC's gross domestic product (GDP) between 2016 and 2018. Over the period 2015-2019, the country's economic growth was appreciable, as it consisted annually of between 3.5 and 5.6 per cent in real terms, which allowed some improvement in the per capita

income of the population, although below the average observed in sub-Saharan Africa.

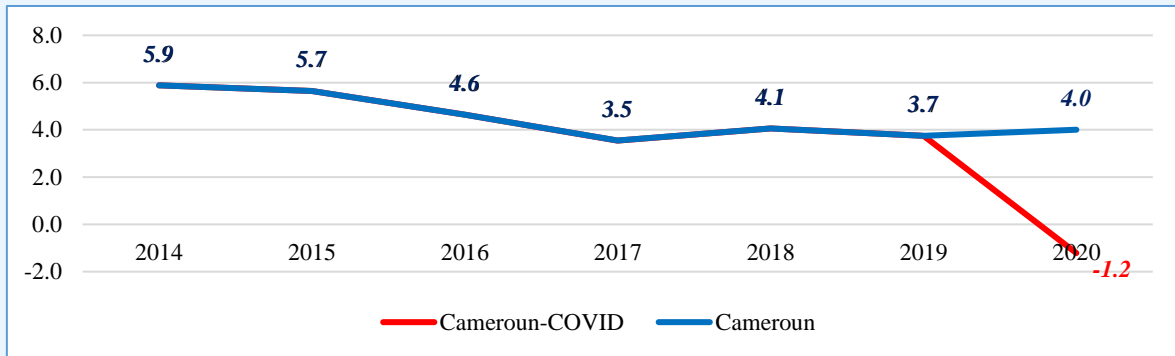
The COVID-19 pandemic is having a disastrous impact on Cameroon with a recession expected in 2020. Indeed, the country's real economic growth is likely to fall sharply in 2020, from 4.0<sup>3</sup> to -1.2 per cent (IMF, Staff Report May 2020), or a downward revision of 5.2 percentage points compared with the IMF's pre-pandemic projections for 2020. Meanwhile, the population will continue to grow at an average annual rate of 2.7 per cent, thus far higher than GDP growth. Consequently, many Cameroonians could fall into poverty.

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<sup>2</sup> Between 17 March 2020 (the date of entry into force of the first measures) and today, several measures have been put in place. Some have been revised and the Government's financial measures, and those of other stakeholders in society, have shown a marked evolution. For example, the special fund created by the President of the Republic for which the initial funding was just one billion was supplemented by the revised Finance Act, which allocated 180 billion CFA francs to it.

<sup>3</sup> The Cameroon's Finance Act 2020 had forecast real GDP growth of 4.0% in 2020.

► **Figure 1. Impact of the COVID-19 pandemic on real GDP growth in 2020**



Source : IMF data, own calculation.

Apart from its direct health impact (number of persons infected and/or deceased), the spread of COVID-19 impacts the level of economic activity through a multitude of factors: (i) the disruption of global trade and value chains which affects exports of the country's commodities (crude oil, cocoa, coffee, cotton, etc.) and its imports, the latter consisting largely of intermediate and final consumer goods; (ii) the reduction in the flow of foreign financing through the fall in foreign direct investment, foreign aid, remittances of funds by migrants and tourist revenues); and (iii) socioeconomic distortions caused by the Government's measures in response to the virus, notably those on preventive confinement at the start of the epidemic. The above factors have a direct impact on all economic sectors, public finances, international trade,

migrants' funds transfers, investment, consumption and employment and the labour market.

According to simulations of the effects of the COVID-19 crisis produced by the United Nations System in Cameroon, showing the interaction of several economic agents, it would appear that the tertiary sector is the most affected by the fall in production in Cameroon in 2020, with a deviation compared with the reference scenarios of -4.4 points. This downturn in activity is also found in the primary sector (-3.0 points compared with the reference situation). Lastly, the secondary sector, for its part, appears to be the most resilient with a deviation of -1.9 points compared with the reference situation.

► **Figure 2. Probable effects (in percentage points) of the COVID-19 crisis on economic activity in 2020, by sector**



Source: UN (July 2020).

## 1.2. Public finances

At the end of fiscal year 2019, the Ministry of Finance (MINFI) estimates placed total budgetary resources at 5,402.2 billion FCFA, consisting of: (i) 3,746.6 billion FCFA of domestic budgetary revenues, of which 3,193.1 billion of non-oil revenues; (ii) 1,555.6 billion FCFA in borrowing and 100 billion in grants. Budgetary expenditures were 5,590.8 billion FCFA, broken down into 2,531.0 billion FCFA of current account spending, excluding interest on public debt, 1,428.8 billion FCFA on investment and 1,345.2 billion on public debt servicing.

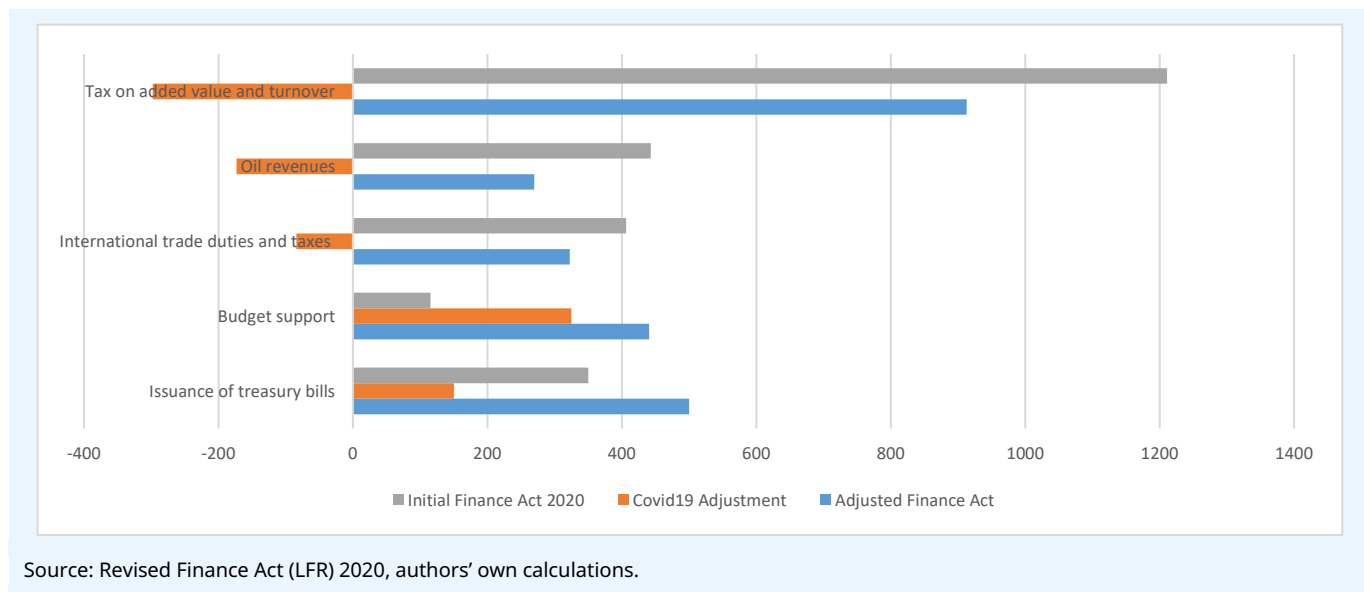
The COVID-19 pandemic is expected to lead to enormous losses in State revenues because of the slowdown in economic activity which in turn reduces tax revenues, while, at the same time, measures in response to the pandemic are very costly for the State. According to MINFI data, the evaluation of losses of tax income, customs duties or levies and taxes on oil imports because of COVID-19 is some 768 billion FCFA in 2020. In the Revised Finance Act (LFR) 2020, budgetary revenues are expected to fall by -11 per cent compared with the estimates in the Initial Finance Act (LFI), or an absolute fall of -542.7 billion FCFA which can be explained in part by losses of revenues related to:

- Revenues from the petroleum sector which are revised to 269.7 billion FCFA against an initial forecast of 443.0 billion FCFA or an adjustment of -173.3 billion FCFA (-39.1%);
- Fiscal revenues which are revised to 2,374.8 billion FCFA against 2,962.2 billion FCFA in the initial Act or an adjustment of -587.4 billion FCFA (-19.8%).

Apart from the weakening economy, there are also fiscal stimulation measures for the economy, which in part go to explain this loss to the State budget. Thus, the suspension in the 2nd quarter of general account audits, except in the case of suspected fiscal misconduct; the deferral of the deadline for filing statistical and tax declarations without penalty in the case of settlement of the corresponding balance and the grant of moratoriums and deferral of payments applying to businesses directly affected by the crisis could help to relaunch the economy, and the first signs of a rebound began to make themselves felt in May 2020.

In the area of investment, the decrease in capital expenditure is sufficiently important to be noted (-242 billion FCFA, or -16.2 per cent between the LFI 2020 and the LFR 2020). Lastly, the budget deficit for 2020 is estimated at -4.5 per cent of GDP, against -2.1 per cent (LFR) or a fall in GDP of 2.4 per cent.

► **Figure 3. Adjustment of the principal State revenues in 2020 as a result of the COVID-19 shock**

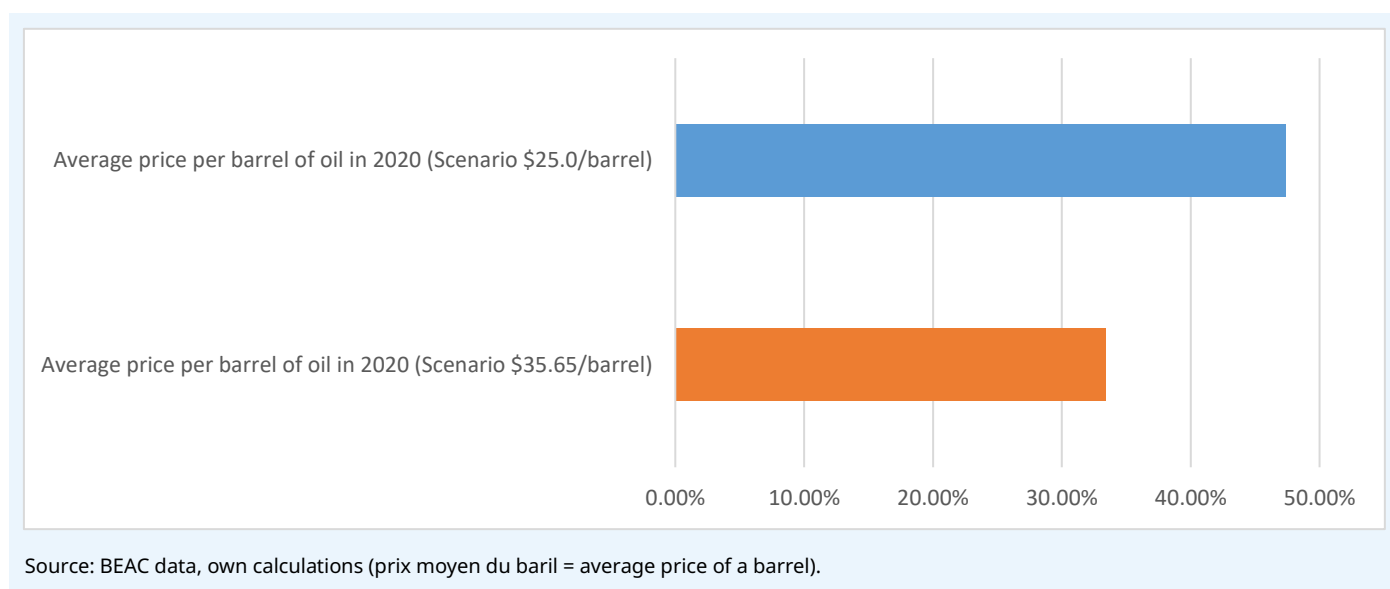


### 1.3. Inflation

During the period 2015-2018, inflation remained relatively under control, below the maximum threshold of three per cent fixed at the economic community level, thanks to the monetary and exchange policies of the Bank of Central African States (BEAC). However, the general price level has tended to rise slightly in these last three years from 1.1 per cent in 2018 to 2.1 per cent in 2019 (MINFI estimate)

and forecast at 2.2 per cent in 2020. The results of the trend in prices in the first quarter of 2020 published by the National Institute of Statistics (INS) show that the quarterly inflation rate is 2.6 per cent. This is a rate of inflation not seen since 2013 and is a direct result of the impact of COVID-19, due to the fact that some households, as a precaution, stockpiled food in preparation for the crisis, thus inflating demand.

► **Figure 4. Decline in the terms of trade over one year as a result of the potential effects of COVID-19 on trends in the average price of a barrel of oil (%)**



### 1.4. Funds transfers from the diaspora

The report on the economic, social and financial situation and outlook for the year 2019, annexed to the Finance Act 2020, shows that the balance of secondary revenues showed a surplus of 6.1 billion FCFA in 2018, and this positive trend is attributable in part to the increase in funds transfers from the Cameroon diaspora living in the four corners of the world. Cameroon could suffer a setback due to the effects of COVID-19, notably by

receiving fewer transfers from expatriates living in countries affected by the pandemic. The results of a rapid evaluation by the International Organization for Migration (IOM) in May 2020 showed a significant impact of the COVID-19 pandemic, both on members of the diaspora themselves, and also on their families back in Cameroon. According to the study, some 40 per cent of the people interviewed said that they had not received anything since the start of the pandemic and had to find new means of subsistence, as most of them could not work full time or had even simply lost their job.

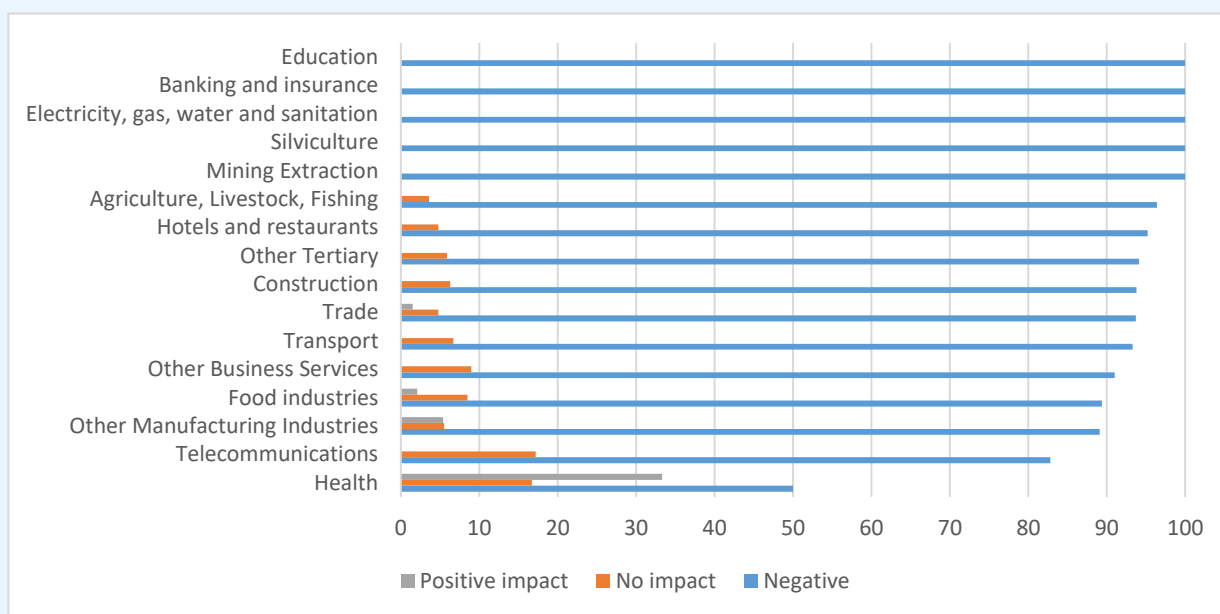
## ► 2. Employment situation and transmission mechanisms on the labour market (direct and indirect effects)

The results of the national survey of the socioeconomic impact of COVID-19, which was conducted by the INS between April and May 2020 with the support of the ILO, show that the COVID-19 pandemic had led to a marked breakdown of business activities. From these results, it is found that some 80 per cent of business chiefs in the formal sector have experienced a moderate or major slowdown in their activity. In the informal sector, this slowdown also exists and is around 82 per cent. In general, eight out of ten business chiefs (82.6%) said that they had seen a drop in their production. However, the

situation is more pronounced in businesses in the formal sector than the informal. Turnover, for its part, has fallen in some 95.5 per cent of businesses, of which half say that they have seen a fall of over 50 per cent in their turnover.

The restrictive measures taken by the Government on 17 March 2020 had considerable impacts on the activities of Cameroon businesses. Overall, nine businesses in ten said that they had been negatively impacted by COVID-19 (INS, 2020). This situation is the same whatever the size of business and its degree of formality.

► **Figure 5. Impact of COVID-19 by sectors of activity**



Source: INS, COVID survey, Business and Household 2020.

The negative impact of this pandemic is very evident in the economic activity of the education, banking and insurance, electricity, water, gas and sanitation, forestry, extractive industries, agriculture, livestock and fishing, and in hotels and catering sectors, where all the businesses interviewed said that they had been negatively impacted by the health crisis.

Globally, Cameroonian businesses were mainly faced with reduction in customer demand due to restrictions on public gatherings (76.4%), inability to pay taxes and

charges (70.2%) and reduction in production due to a fall in demand (70.2%).

In addition, eight out of ten businesses interviewed said that they had suffered a fall in demand for their products and services at national level. This fall in domestic demand is much more marked in businesses which work in health, banking and insurance, and extractive industries (100%), hotels and catering (91.7%), commerce (82.2%), telecommunications (81%) and the food industry (including tobacco). Hospitals and other healthcare

companies faced difficulties in securing products from abroad (66.7%).

The closure of the borders also impacted negatively on the activities of Cameroonian businesses, notably those which work in forestry and the timber industry (80%). This situation will no doubt have the consequence of a fall in exports of logs.

### Transmission and impact on employment and the labour market

In the face of the COVID-19 crisis, businesses have had to take many measures to stem the impact of this crisis on their business. These measures concern not only the internal organization of the business, management of personnel, but also supply of raw materials and the sales and distribution strategy. As regards the effects of the crisis on employees, it is noted that 64.5 per cent of businesses say that they have reduced working hours of their personnel, 50.1 per cent have laid off certain workers, 45.3 per cent have reduced employees' wages, 39.3 per cent have delayed payment of employees' wages and 33.9 per cent have proceeded with a rotation of personnel. The reduction in employment has been observed more in banks and insurance (100%), agriculture, livestock and fishing (76.6%), transport (69%), education (68.4%) and services to business (68.3%). This situation can be linked to social distancing measures taken by the Government in urban and rural transport, the closure of schools and higher education establishments, gathering or people in closed spaces, etc. The laying off of certain workers has affected all the banking and insurance businesses interviewed.

In another vein, almost seven out of ten businesses in health and the extractive industries have resorted to a reduction in employees' wages. This reduction was also noted in agriculture, livestock and fishing (57.7%), hotels and catering (55.3%), the food industry (including tobacco) (54.8%) and education (52.6%). Although it only concerns 33.9 per cent of the businesses interviewed, rotation of personnel is much used in banking and insurance (100%), the extractive industries (66.7%) and education (52.6%).

Another issue has been a long-standing gender divide in management positions. Data from the Second General Business Census (RGE-2) conducted in 2016 highlight a disparity in employers according to sex, which is reflected in the predominance of men (62.5%) over women (37.5%). A breakdown by size of business shows that men are promoters of 86 per cent of large enterprises, 66.2 per

cent of medium-sized enterprises, 66.9 per cent owners of small enterprises and 61.4 per cent of owners of micro-enterprises. Women are relatively more represented in micro-enterprises and thus more exposed to economic risks linked to the strict application of confinement measures. Impact on business activities

### Employment and the labour market in informal production units (IPU)

The results of the national survey of the socioeconomic impact of COVID-19 conducted by the INS between April and May 2020 with the support of the ILO, show that the COVID-19 pandemic had led to a marked breakdown in business activities. From these results, it is found that some 80 per cent of business chiefs in the formal sector have experienced a moderate or major slowdown in their activity. This slowdown also exists in the informal sector and is around 82 per cent. In general, eight out of ten business chiefs (82.6%) said that they had seen a drop in their production. However, the situation is more pronounced in businesses in the formal sector than the informal. Turnover, for its part, has fallen in some 95.5 per cent of businesses, of which half say that they have seen a fall of over 50 per cent in their turnover.

In addition, the survey of the socioeconomic effects of the COVID-19 crisis mentioned above (household section) shows that the majority (62.7%) of households surveyed had experienced a considerable deterioration in their living standards due to COVID-19. Indeed, even if the great majority of these people had not lost their job at the time of the survey, it emerges from the analysis that seven out of ten households (74%) have experienced a marked slowdown in their activity. This slowdown in activity could, in the medium term, lead to job losses in the formal sector, which would have the consequence of pushing the people concerned to turn to opportunities to earn subsistence incomes to alleviate unemployment, thus further expanding the scale of the informal sector and under-employment in the economy.

### Vulnerability of workers in the face of COVID-19

Vulnerable workers include self-employed workers and unpaid family workers. The ratio of vulnerability is the relationship between the number of vulnerable workers and the total number in employment. According to the EESI 2 survey 2010, some eight out of ten workers are vulnerable. In the face of the Coronavirus pandemic, some six out of ten businesses say that they have reduced their

workforce. These redundancies are recorded most in modern SME (62.2%), followed by large enterprises (55.90%) and IPU (52.10%) and concern both temporary and permanent employees.

The extent of the phenomenon depends on the branch of activity. It is acute in agriculture, livestock and fishing (76.9%), hotels and catering (71.1%) and the food industry (69%), education (68.4%), and construction (66.7%) where the majority of companies have had to dismiss their workers.

## ► Government measures to mitigate the impacts of COVID-19 on employment and the labour market and the way ahead

In the face of the COVID-19 crisis, the Cameroon Government, through the Prime Minister, has taken measures to reduce the impact on the economy.<sup>4</sup> These measures, which are equally difficult to quantify, ranged from relaxing rules in order to support economic activity by the payment of VAT due on 25 billion FCFA for the benefit of businesses. In addition, certain categories of workers in the informal sector (small fresh food sellers) were exempted from withholding tax and communal taxes for the 2nd quarter, which is difficult to quantify and difficult for the State to monitor due to the fact that these taxes are part of the sources of local authority financing. On the other hand, the formal sector, consisting of public sector workers and the formal private sector, saw family allowances rise from 2800 FCFA to 4500 FCFA, an increase of 1700 FCFA.

The distribution of assets by income quintile in Table below shows us that more than 60% of formal public and private workers belong to the fourth and fifth quintiles, 5.64% of public workers and 3.63% of formal private workers belong to the poorest quintiles. On the other hand, the informal agricultural sector is the one with the majority of the workforce very poor (40.5%). The increase in family allowances in this period of COVID-19, which applies only to public and formal private workers, given the structuring of the current social protection system in Cameroon, mainly benefits the rich and will result in an increase in inequality.

The main challenge is the targeting of the most vulnerable populations who need government support the most to deal with the negative effects of the pandemic on their purchasing power and well-being.

► **Table 1. Breakdown of business sectors by quintile of standard of living**

Branch of economic activity	Business sector			
	Public)	Formal private	Non-agricultural informal	Agricultural informal
Quintile 1	5.64	3.63	12.12	40.55
Quintile 2	9.51	12.05	20.00	26.63
Quintile 3	19.44	18.65	22.24	16.75
Quintile 4	26.65	22.28	23.84	10.97
Quintile 5	38.77	43.40	21.79	5.10
Total	100	100	100	100

Source: From ECAM 4

<sup>4</sup> These measures were published in the Prime Minister's statement of 30 April 2020.



This rapid evaluation of the impact of COVID-19 on employment and the labour market has shown the initial effects and highlighted the trends in certain labour market and employment indicators, as well as the aggregate macroeconomic trends, which have a strong impact on employment and the labour market. It is important to recall that this evaluation takes place at a time when several confinement measures have been lifted and only the general ban on commercial flights remains in force.

At the time of this evaluation, it is difficult to anticipate the effects of the pandemic on several sectors of activity, as uncertainties persist concerning the date of the return to school and university and the dates of other major events, often the source of positive shocks for several sectors of activity. In the face of these uncertainties, it would be essential to undertake regular evaluations of the impact of COVID-19 on employment and the labour market.

This report has shown the macroeconomic variables by which the pandemic affects the labour market. It concerns economic growth, foreign trade (Cameroon's partners are among the most affected countries), migrants' transfers, credit in the economy, and the State budget.

Employment and the labour market are also affected by the rational behaviour of certain companies, which are forced to reduce their operating expenses, their wage masses or the number of workers, in order to cope with the decline in sales volume or turnover.

The national survey of formal and informal sector enterprises shows that strategies which have consequences for employment (fall in wages, lay-offs, rotation of workers) are those most used by businesses. Beyond these strategies, the fall in demand and production are also damaging for employment and the labour market. In the absence of effective assistance policies, these harmful effects will add to under-employment and informal employment.

In addition to the measures already taken by the Government, other and additional measures should be envisaged, including: (i) establish a platform for regular dialogue between the different stakeholders in the labour market in order to monitor and manage the effects of the pandemic on employment and the labour market; (ii) involve and regularly evaluate the informal sector in the measures implemented. It has been shown that the informal sector is harmed by government decisions; (iii) local businesses could increase their production instead of importing goods or accelerate the process of local transformation of goods often exported in their raw state; (iv) strengthen capacities of businesses and households by informing them of the various support measures available and the conditions and procedures for benefiting from them; and (v) establish an information system on the economic and social trends of the countries with which Cameroon trades.

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