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The vanishing rural-urban gap in sub-Saharan Africa

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In most of the countries of sub-Saharan Africa (SSA) the struggle for independence was characterised by political pressure exerted through a national coalition of various groups differentiated by region, ethnicity or class. The political differences separating these groups, particularly along economic and social lines, were obscured by the more obvious dichotomy between Africans and Europeans (including settlers in some countries such as Kenya and Rhodesia), with Asians occupying an intermediate position in a number of countries; and hence divisions in wealth appeared as divisions between the privileged Europeans (and Asians) and the impoverished Africans. Independence was followed by a process of "Africanisation", the replacing of Europeans and Asians with nationals in the civil service, the universities and the private sector. In some countries, such as Ghana and Tanganyika, colonial salary scales were compressed, but everywhere the difference between the earnings of a common labourer and those of professionals and managers remained enormous. Moreover, in the absence of a landed élite in most of Africa,[1] people earning high incomes were concentrated in the major cities. Thus the great income differences passed down as a colonial legacy changed from an African/European-Asian dichotomy to an urban/rural one.

Central to this new dichotomy were the wage earners, also concentrated in urban areas in most SSA countries. Characteristically, trade unions had played a prominent role in the campaign for independence; and after independence they constituted an equally vocal interest group pressing for higher wages, though their importance has in some instances been exaggerated.[2] The influence of trade unions reinforced the impression that the fundamental division in privilege and wealth was between town and countryside, as did the vast amount of rural income that was taxed away through various forms of agricultural taxes, including terms of trade transfers (see Bates, 1981, for a recent survey of this evidence).

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The rural-urban division also seemed to be reflected in the development policies of the post-colonial governments. With very few exceptions, the colonial Powers had not encouraged industry in their possessions. The new governments embarked upon programmes of import substitution and large-scale public works such as dams and roads, both as an economic strategy and as an affirmation of independence. By their nature, these programmes tended either to be located or to produce most of their benefits in urban areas. Since agricultural taxes constituted a substantial part of government revenue, urban industry was seen as being financed at the cost of the rural population, and since the State dominated the formal employment sector in most countries (and acted as a wage-leader for private industry, many argued), it was likewise inferred that peasants were also paying for the perceived privileges of the urban working class.

This characterisation of SSA countries in the late 1960s we shall call the "post-colonial pattern of development". It created in the minds of most academic observers and policy-makers, national and foreign, a certain stereotyped picture of the typical African country. That picture showed the country divided starkly between a privileged modern sector (later dubbed the "formal" sector), where urban élites and wage earners derived extravagant privileges from high incomes, government services and political influence, and a vast undifferentiated rural sector where the peasantry lived in poverty and produced the wealth to pay for those privileges. Between the two was a still dimly perceived growing population of urban squatters living in increasingly miserable conditions around the cities, drawn by the magnet of high wages and "bright lights", which later came to be called the "informal sector".

The Todaro model of rural-urban migration (Todaro, 1969) appeared to validate this stereotype. Through its analytical simplicity, explaining the complex and massive problem of rural-urban migration in terms of two variables (the rate of urban unemployment and the urban-rural income gap), it captured the attention of academics and policy-makers in less developed countries, in much the same way as the equally simple Phillips curve did in advanced market economies.

Here was a tool to explain the imbalances in African societies, and it seemed to matter little to the analysts that all three of the implicit variables in the model were theoretically suspect. A wealth of literature argued that unemployment was not a valid analytical concept in the context of African countries. The "rural-urban income differential" was seldom carefully measured and rarely took account of economic differentiation among the urban and rural populations, the key to making it relevant to migration. And rural-urban migration had been shown by many studies to be considerably more complex than a question of new arrivals entering a random queue for jobs. When empirical work was done to test the hypothesis, the key explanatory variable, the rural-urban income differential, yielded mixed results statistically (Knight, 1972, and Levi, 1973). This, along with

the trends we identify in the next section, raises serious questions about past analysis of labour markets in Africa.

I. Labour market trends

The two oil shocks of the 1970s and the recession in the Western industrial countries dealt severe blows to the non-petroleum-producing SSA countries, confronting them with weak primary product prices and high interest rates and making it harder to secure new loans to cover their growing balance-of-payments deficits. The decline in the demand for primary products reduced growth rates and triggered falls in formal employment and incomes.

The ensuing economic crisis has profoundly changed the character of most African economies. In particular it has brought about a radical shift in the relationship between town and countryside, though the poor in both areas have suffered the most. In what follows, we identify eight trends, all closely related and interactive. Their overall effect reveals the need for a sharply revised view of African economies.

The first clear trend is that *real wages of urban workers have fallen* during the past ten years, in some cases dramatically. Where evidence is available, it appears that the wages of unskilled workers in the formal sector have fallen more than the average for all wage workers, and the minimum wages of government unskilled workers have generally fared worst of all. With urban labour markets in excess supply, the minimum wage has increasingly become the effective wage for most unskilled workers. In some cases the fall in real wages has been so catastrophic that a growing proportion of wage-earning households have been pushed below the poverty level as measured by the ability to purchase a minimum diet. The characterisation of the mass of urban workers in the region as an "aristocracy of labour" no longer holds true.

Second, *the security and stability of formal sector employment have diminished*. An aspect of the stylised characterisation of African societies in the post-colonial pattern of development was to stress the stability of employment and the virtual inability of employers, public and private, to discharge workers. In most countries of the region private sector employment has declined, and falls in government employment have not been unusual. Limited evidence indicates that employment has declined more for unskilled workers than for the semi-skilled and skilled.

As a consequence of the first two trends, *the distinction between the formal and informal sectors is becoming blurred*, even breaking down. The difference in incomes that can be earned in the two sectors is decreasing, as is the difference in the lifestyles and living standards. With the fall in formal sector employment, many former wage earners have moved into the informal

sector, where they probably fare worse than the average operator there because of their limited skills (ILO/JASPA, 1985).

Fourth, *the income gap between urban wage earners and the rural population has narrowed considerably*. This is the trend that most dictates a radical change in thinking about the dynamics of labour markets in SSA countries. In some cases the scales have even begun to tip in favour of peasant smallholders.

A fifth trend is a consequence of the above four trends: *overall distribution of income in most countries has worsened*. Contrary to the conventional wisdom of the past, the narrowing of the rural-urban income gap has not improved income distribution but has occurred at the expense of both wage earners and small farmers. Increasingly, the SSA countries are characterised not by a split between the privileged urbanites and the disadvantaged farmers but by a split between the rich and poor, the latter including wage earners, informal sector operators and small peasants.

The sixth finding is that *migration from rural to urban areas has not abated*: if anything it appears to have increased. Given the previously discussed trends, this phenomenon contradicts the simple model that makes migration dependent on the gap between wages and rural incomes (offset by unemployment in urban areas). According to this model, migration to the towns increases when the urban-rural income differential is perceived to have grown. The latter has declined sharply, yet migration continues. Clearly, migration cannot be explained in these simplistic terms but has to be seen as part of a much more complex and dynamic struggle to survive in the face of falling real incomes for the poor, both urban and rural.

As a consequence of the above six trends the *dynamics of income distribution between urban and rural areas* has changed. In the past, income distribution in the African region was analysed in terms of a rural-urban dichotomy in which any intra-group differentiation was treated as secondary. It was generally asserted that the rural-urban income distribution was worsening. Very little empirical work was done to verify this, and otherwise careful and responsible observers were content to accept it on the basis of casual empiricism and anecdotal evidence.

As a result, the modelling of labour markets in Africa went ahead with little reference to the complexities of rural-urban interactions, limiting itself to a few variables that fitted well into neoclassical labour market theory. With the benefit of hindsight, one can see that it was extremely superficial to focus on the interaction of peasants and urban workers in attempting to determine the dynamics of income distribution. Even the mechanisms by which workers allegedly benefited at the expense of farmers did not involve a direct trade-off but processes requiring the mediation of other economic agents whose role was largely ignored. Moreover, the alleged trade-off was slightly more complicated than assumed. For example, the distributional consequences of government control of food prices in urban areas were taken to be almost axiomatic. Food crop farmers lose if prices are held below

market levels; urban populations gain, and urban workers gain more than professionals, high-level civil servants and entrepreneurs because food accounts for a bigger proportion of the expenditure of lower-income groups. As farmers are much poorer than urban workers (and of course than the other urban groups) a regressive distribution of incomes occurs. On reflection, however, the distributional effects are far from evident. Lower food prices may permit formal sector entrepreneurs to pay lower money wages than would be the case in the absence of price controls or subsidies, and thereby reap higher profits. Similarly, if government policy was to raise food producer prices in order to benefit the rural sector, the most likely consquence would be merely to favour the larger, commercial farmers and the intended equity impact might never materialise.

Thus it was probably never correct to place the main emphasis on the peasant-wage earner relationship when looking into the dynamics of income distribution in Africa, particularly in view of the many anthropological and sociological studies that showed a significant level of urban-rural remittances. This stress on peasants and wage earners, emphasising the primacy of the urban-rural dichotomy, was not so much a theoretical insight as a superficial generalisation based upon the perceptions of sharply increasing money wages in the immediate post-colonial period. Whether these increases transformed wage earners into an "aristocracy" is debatable. Widespread acceptance of that notion obscured the class and wealth distinctions present in both rural and urban areas.

Thus one arrives at the eighth major finding of this study, that increasingly *the primary dynamic distributional relationship in Africa has been between rich and poor within both the urban and the rural sectors*. Evidence on this is quite convincing and should come as no surprise. During periods of depression it is the weak and vulnerable that are least able to protect themselves against falling real incomes. In the past decade these vulnerable groups have been wage earners (particularly the unskilled), urban informal sector operators, and peasants on smallholdings.

This tendency for the poor in both urban and rural areas to suffer most has led to interactive rural-urban survival strategies whose precise nature is not clear. However, there is evidence (particularly in the extreme case of Uganda) of nominally urban households supplementing their livelihoods from agriculture. And, conversely, households of poor peasants have sought income sources in the urban informal sector, which would partly explain the continuation of rural-urban migration despite narrowing farmer-worker income gaps.

II. Empirical evidence by countries

The trends summarised above are substantiated in this section with the help of data from four African countries. The countries chosen include

diverse economies – Nigeria (oil economy), Sierra Leone (laissez-faire), United Republic of Tanzania (socialist economy), and Uganda ("collapsed economy") – so as to provide a representative cross-section of the continent as a whole. In the book under preparation it is shown that the trends depicted are in fact common throughout Africa.[3]

Nigeria

Few economies in Africa have undergone such a dramatic change in the past 20 years as Nigeria's. In 1965 Nigeria was primarily an agricultural country and farm produce accounted for virtually all of its exports (Helleiner, 1966). Despite some controversy over the role of the state marketing boards, there was no doubt that agriculture had performed quite well since the end of the Second World War. While growth was not spectacular, it was steady, and the balance-of-payments position was manageable. Now, 20 years later, Nigeria is a major oil producer, and the result has not been altogether for the better. Certainly the *political* consequences of the discovery of major oil reserves were initially tragic; few would deny that the sudden prospect of oil wealth prompted the civil war which raged in the south-east for half a decade. The *economic* consequences have been nearly as disturbing. Agriculture has virtually collapsed, the Government faces an unmanageable balance-of-payments situation, and the country is burdened with a foreign debt whose payment poses an enormous problem. Schatz (1984) has argued that, except for the oil sector, the economy has registered no significant growth since the early 1970s.[4] If oil wealth has not been a curse for Nigeria, it certainly has not been an unmixed blessing. As will be shown, all of the trends identified in Part I hold true for Nigeria, and this is in no small part due to the distorting effect that oil had on the economy. This distorting effect is clear from the fact that although the overwhelming share of the net earnings from petroleum never reached rural areas, urban poverty in Nigeria increased substantially during the oil boom, while the degree of rural poverty probably remained unchanged (ILO/JASPA, 1981).

Rural-urban migration had been a major phenomenon in Nigeria even before independence, and in the past ten years major cities – Lagos, Kano, Kaduna, Port Harcourt and Warri – have grown at a staggering pace. The wealth generated by petroleum partly explains this growth (particularly in cities such as Port Harcourt and Warri), but the fact remains that migration to the cities is an older phenomenon which the oil boom merely intensified.

The Nigerian wage labour force, while the largest in Africa, still constitutes a small portion of the economically active population and in fact has probably declined in proportion to the urban labour force in recent years because of the fast growth of the urban population relative to formal sector employment (Fapohunda et al., 1975). As elsewhere in Africa, social services such as education, health and sanitation are available to a greater extent in urban areas than in rural ones. It is doubtful however that the poor in urban

areas benefit much from these amenities. On a continent increasingly characterised by urban blight, the cities of Nigeria probably have the worst living conditions of all African cities. This is particularly the case of Lagos, whose basic services are largely inadequate, and practically non-existent for the poor. Ironically, conditions worsened during the oil boom. Urban migration increased substantially, but this did not prompt the authorities to use the oil revenues to maintain, much less improve, the standard of living in the cities. A comparison of rural-urban differences in living standards in Nigeria suggests, at last to an outsider, that the disadvantages of city life outweigh the advantages. Particularly in the south, large villages and small towns enjoy better amenities on the whole than Lagos, Port Harcourt and Warri, above all when one takes into account pollution, the absence of garbage and waste collection, and the grossly inadequate transport facilities in these cities. These problems have been aggravated in the past ten years. To give only one concrete example, much of the expansion of formal sector employment in the booming cities occurred in plants far from the areas where workers live, increasing the costs of city life (as well as reducing leisure time).

Table 1 provides estimates of rural and urban incomes in Nigeria between 1973 and 1979. GDP is divided into agricultural and non-agricultural components and then associated with the respective populations. Figures are also given of the average unskilled wage in towns. The table shows that although the average gap between urban and rural households widened, the gap between unskilled wage earners and rural households narrowed. This reinforces the point made earlier that the "rural-urban" gap in the narrow sense obscures fundamental patterns of differentiation. What happened in Nigeria was that as a result of the oil boom there was a tremendous increase in urban incomes, but little of this increase filtered down to the great majority of workers, except during a brief period following the "Udoji awards" (see below). The years shown in the table are when the revenues from oil were the greatest (including the years of large price increases, 1973-74 and 1979). During the period average urban incomes rose in every year but 1974-75, increasing by over one-third. At the same time average rural incomes remained more or less constant, so that the *average* rural-urban gap rose from 3.4 in 1973-74 to 4.7 in 1978-79.

In the meantime the ratio of unskilled wage-earner incomes to rural incomes fell, if one takes 1974-75 as the benchmark, or remained about the same on the basis of the 1973-74 value. The large increase in this ratio, in 1974-75, reflects the wage awards granted by the Udoji Commission, one of the commissions that have periodically been set up to review wages in the country. A consequence of this institutionalised form of wage determination is that the pattern of wage movements in Nigeria is characterised by a sudden and substantial money increase, followed by money wage stability and falling real wages (due to inflation). The random, but always large, wage hikes granted by the wage commissions have misled some observers to conclude that trade unions in Nigeria have been historically quite powerful and able to

Table 1. Estimates of rural and urban incomes in Nigeria, 1973-79 (measured in 1977-78 naira per annum)

Income category	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
Rural						
1. Average family income	733	773	731	724	715	725
	(100)	(105)	(100)	(99)	(98)	(99)
Urban						
2. Average family income	2 520	2 024	2 809	3 062	3 128	3 378
	(100)	(80)	(111)	(122)	(124)	(134)
3. Average unskilled wage	780	1 388	1 100	926	810	741
	(100)	(178)	(141)	(119)	(104)	(95)
Ratios						
2 : 1	3.4	2.6	3.8	4.2	4.4	4.7
3 : 1	1.1	1.8	1 5	1.3	1.1	1.0
2 : 3	3.2	1.5	2.6	3.3	3.9	4.6

Source: ILO/JASPA, 1981, and Jamal, 1982 (Nigeria).

secure wage increases in excess of what labour market conditions would warrant. That view is now largely discredited.[5]

During the 1970s urban wage earners improved their position only temporarily compared with farmers, and lost considerable ground compared with other urban groups. Since the rate of rural-urban migration during the decade exceeded the rate of growth of formal sector employment, it is extremely unlikely that incomes in the urban informal sector grew. A study made by one of the authors concluded that these incomes in fact fell (Jamal, 1982 (Nigeria)). There is little doubt that the "winners" from Nigeria's windfall of oil revenues were the professionals and formal sector entrepreneurs (particularly the latter, who benefited also from tariff protection for their commodities). Falling urban real wages and declining or stagnant incomes in the informal sector resulted in an increase in urban poverty, from 33 per cent of households in 1973 to 38 per cent (5.2 million) in 1978, according to Jamal's estimate (see also ILO/JASPA, 1981).

The 20-year pattern of price-deflated wages is shown in table 2. While no strong trend manifests itself in either the unskilled average wage or the minimum wage in government employment, it is clear that real wages in the early 1980s were below their level at the outset of the oil boom in 1974-76. Wage restraint and inflation since 1983 have led to a further erosion of real wages. The claim that Nigerian wage workers are well paid is no longer true (and according to a number of researchers never was).

Table 2. Unskilled average wages and minimum wages in Nigeria, 1964-85 (1973=100)

Year	Unskilled average wage		Minimum wage (deflated)
	Nominal	Deflated	
1964	56	95	93
1968	78	122	122
1970	88	107	113
1973	100	100	100
1974	137	121	109
1975	225	149	134
1976	228	122	110
1977	236	109	98
1978	253	101	84
1979	253	90	77
1980	288	93	106
1981	338	90	110
1982	356	84	100
1983	375	78	85
1984	422	64	61
1985	481	68	58

Source: Jamal, 1986b, p. 14.

Because of the glut on the world petroleum market and the onset of an economic crisis in Nigeria, real wages have continued to fall up to now, along with formal sector employment. Whether or not the new Government can reverse these trends remains to be seen. It recently rejected an IMF austerity package, in part because of its implications for the poor.

The trends identified earlier are thus verified for Nigeria, which is all the more tragic because of the great (and now lost) opportunities presented to the country's leaders during the 1970s. Clearly sudden riches are not a sufficient condition for remedying poverty and inequality.

Sierra Leone

Sierra Leone is a small West African country which is suffering the effects of a depressed world market for minerals. Its main mining products were diamonds and iron ore. Production of the latter ceased completely in 1975 because of world market conditions. Though the iron ore sector has been reactivated recently, prospects are bleak. The trade in diamonds, an enviable export in the past, has suffered from world price declines. There seems little doubt that the country's economy is now paying the price for its high degree of openness. Indeed, the United Nations places Sierra Leone in the category of developing countries most affected by global economic

Table 3. Urban and rural incomes in Sierra Leone, 1970-71 and 1980-81 (leones per capita per annum)

Income category	Incomes in current prices		1980-81 incomes in 1970-71 prices[1]
	1970-71	1980-81	
Rural			
1. Agricultural average income	58	192	71
Urban			
2. Average income	352	778	247
3. Non-mining	264	664	211
4. Average wage income	77	133	42
Ratios			
4 : 1	1.3	0.7	0.6
2 : 1	6.1	4 1	3.5
2 : 4	4.6	5.8	5.9
3 : 1	4.6	3.5	3.0

[1] The differential effect of inflation is largely due to the fact that increases in food prices have opposite effects on the urban and rural populations.
Source: Jamal, 1983.

disturbances. As serious as the fall in primary product prices has been the virtual disappearance of foreign capital inflows.

While it is an extremely poor country, Sierra Leone is characterised by large inequalities in income distribution, particularly in urban areas. There is also a considerable rural-urban dichotomy: urban areas accounted for only 20 per cent of the population in the early 1980s but received at least half of the national income. The primary inequality, however, is between the urban élite, on the one hand, and wage earners, informal sector operators and peasants, on the other. Indeed, the differences in levels of income among these last three groups are fairly minor compared with their collective position vis-à-vis the urban élite.

The relationship between rural and urban incomes is shown in table 3. In 1970-71 average urban per capita income was six times the average rural income. That figure, however, includes mining incomes (wages and profits), which considerably distorts the comparison. Net of mining the ratio was 4.6, and fell to 3.0 in 1980-81. This is considerably greater than the ratio between average urban wage income and agricultural income, which in 1970-71 was only 1.3 and by 1980-81 had dropped to considerably less than unity (0.7 in current prices and 0.6 in constant prices). In so far as one can be startled by statistics, the preceding figures must take one aback: in 1980-81 the average

wage earner was closer in income to the average peasant than to the average urbanite (even though the latter average included wage earners to pull it down). Alas, what at one time might have been thought a unique situation has been replicated in other SSA countries recently.

This dramatic shift in the relationship between wage earners and peasants has been in great part the result of rapidly rising prices of agricultural products, a trend common to most of the countries covered in this article. However, the shift in rural and urban incomes shown in the table may not be a recent phenomenon. Real wages for the unskilled were lower in the 1980s than they had been in the late 1950s (see table 4). Since per capita income is probably no lower now than 25 years ago, it follows that average wages have fallen relatively to per capita income (and absolutely in constant prices) over that period and not just in recent years. The sharp fall in real wages can be highlighted by comparing the unskilled wage with a food basket providing the standard 2,200 calories per person per day. It has been estimated that in 1961 and 1970 such a basket would have accounted for slightly less than 60 per cent of the budget of the typical unskilled worker's family; by 1983 the proportion had risen to 100 per cent.

The deterioration in urban wages does not imply that peasant incomes have improved in relation to wage incomes over the past 25 years (though they have in the past ten). Evidence indicates a substantial redistribution to profits during the 1970s and early 1980s, and this may have also been occurring earlier. Real wages for all categories of workers taken together have fallen. Because urban labour markets have been in increasingly excess supply it is difficult to imagine that informal sector incomes have risen in real terms. Following this line of argument, Jamal (1983, p. 5) writes that "the trend in wages and informal sector incomes implies that the entrepreneur's income fared much better than those of the other two categories. . . . The trends within urban areas thus point to the likelihood of a redistribution of income from the poorer groups on a substantial scale."

The sharp fall in the unskilled urban wage, close to which the earnings of most workers are clustered, largely accounts for the higher incidence of poverty in urban areas than in rural ones. Jamal estimates that in the late 1970s, 64 per cent of urban families were below the poverty line, compared with 39 per cent of rural families. Further, the proportion of urban families with an income less than that necessary to provide the standard 2,200 calories was double the proportion in rural areas (20 per cent compared with 10 per cent) (Jamal, 1983, pp. 14-15; see also Lisk and van der Hoeven, 1979). Thus, by some measures the rural-urban gap in Sierra Leone is now in favour of rural households. This supports the point made above that inequality in Sierra Leone is based on the dichotomy between the urban élite, on the one hand, and workers, informal sector operators and peasants, on the other. In the mid-1970s the urban élite accounted for 6 per cent of the country's population and received 34 per cent of the national income.

Table 4. Index of unskilled wages in urban Sierra Leone, 1958-83 (1961=100)

Year	Nominal	Price deflated
1958	...	107
1961	100	100
1965	109	107
1970	145	91
1974	174	115
1977	195	83
1981	241	60
1983	353	74

Sources: Price deflated wages for 1958, 1965 and 1970 from Levi, 1973. All others from Jamal, 1983.

Traditionally, mineworkers have been relatively well paid, but can no longer be considered privileged. The suspension of iron ore production in 1975 threw thousands of men into unemployment. Suspending production effectively destroyed the strength of the unions and held money wages down. Workers in the diamond mines are still paid above the average for urban wage earners, but the number employed has declined and real earnings have fallen. Sierra Leone demonstrates the point that a declining urban-rural income gap does not imply an improvement in income distribution.

United Republic of Tanzania

The United Republic of Tanzania has suffered severely from the world recession, and its commitment to egalitarian development and to meeting the basic needs of the population is threatened.[6] The emphasis on equity has always been somewhat controversial, and some people have gone so far as to argue that the country's current difficulties are in large part due to domestic policies intended to promote equity.[7] It should be noted, however, that many countries in Africa that have not taken the same steps to improve income or wealth distribution are facing difficulties as great as or even greater than Tanzania's.

Tanzania's most pressing problem from a narrow economic viewpoint is the balance of payments. In the early 1980s current imports were double the value of current exports. This large trade deficit is partly the result of a decline in the volume of exports over the past ten years (at the rate of about 3 per cent per annum). The poor export performance has frequently been ascribed to domestic policies, including the "villagisation" programme, the role of product marketing boards, and the nationalisation of sisal estates. In reality, however, domestic policies can explain only a small part of the trade deficit, as a more objective appraisal shows. Tanzania's barter terms of trade

declined sharply over the past ten years. In 1980 the volume of imports was the same as in 1973, but the cost in current prices was three times greater. Had the volume of exports grown at the average rate for all low-income countries over the period (about 5 per cent per annum), the trade deficit would still have been large and external assistance would still have been needed to finance it. In 1979 the Government entered into negotiations with the IMF on a high conditionality loan package. These and subsequent negotiations did not go smoothly because of the policy changes demanded by the IMF (including devaluation and abolition of food subsidies) which Tanzania considered would have a detrimental effect on vulnerable groups.

Throughout the 1970s and into the 1980s the Government subsidised a number of basic foodstuffs. Maizemeal was perhaps the most important of these for the urban poor. Evidence indicates that the subsidy programme was successful in keeping down prices of foodstuffs, which fell in relation to the general price level during 1973-83. Success in avoiding shortages and parallel markets with higher prices was achieved through imports. In 1981 and 1982 imported cereals accounted for almost 70 per cent of subsidised sales.

As noted above, it has been argued that domestic policies were to blame for Tanzania's poor performance in export agriculture, and the same argument has been applied to food production – that low producer prices and the price-depressing effect of imports have discouraged production. While this argument may seem to make theoretical sense, its validity does not appear to to be confirmed by available evidence. According to FAO statistics, during 1978-81 Tanzania was one of only 11 SSA countries in which per capita production of food rose (FAO, 1984). And while per capita production fell during 1982-84, the decline was slower than in the majority of countries. This is consistent with the view that imports of cereals have increased because domestic production declined, not the reverse. The hypothesis that the subsidy programme depressed food production remains speculative, whereas it is a fact that the consequence of its abolition on low-income urban families (which include wage earners) has been quite severe. Shortly after the subsidy was dropped (as part of an IMF agreement) the price of maizemeal rose from 2.5 to 12 shillings per kg.

Even before the subsidy programme was abandoned, urban wage earners in Tanzania had suffered a near catastrophic fall in their purchasing power, both absolutely and relatively to peasant farmers. There was an improvement in the relative position of wage earners from 1969 to the mid-1970s, then a deterioration which was considerably greater than the previous improvement. The reasons for this are not hard to find. From 1975 to 1979 the Government imposed a freeze on wages, and at the same time food prices rose dramatically.

Two ILO reports (Jamal, 1982 (Tanzania), and ILO, 1988) provide an instructive way of comparing the trends in incomes of farmers and wage earners. Farmer and worker incomes are divided into food and non-food components. For farmers who produce and consume their own food, changes

in food prices affect real purchasing power only for the marketed part of their output (they eat maizemeal, not the price of maizemeal). Wage earners, on the other hand, must purchase all the food they eat, so that changes in prices affect their entire food consumption as well of course as their non-food consumption. On this basis Jamal's estimates show a 9 per cent increase in the real incomes of farmers from 1973-75 to 1980, while wage earner real incomes fell by nearly 50 per cent. This dramatic drop in wage incomes narrowed the income gap between the two groups to the point where urban workers' average standard of living in 1980 was only 20 per cent higher than that of rural smallholders.

The trends depicted above have continued, with workers continuing to lose absolutely and relatively to farmers. The minimum wage was increased in 1981, but this checked the fall in workers' real incomes only momentarily. Food prices continued to rise, and by 1983 the minimum wage was less than half its 1969 value in real terms, and the incomes of non-agricultural wage earners had lost a catastrophic two-thirds of their purchasing power. By 1986 the minimum wage had lost another two-fifths of its value compared with three years previously. Table 5 shows this, and the stark figures give a grim indication of the living conditions in urban areas (Jamal, 1988). In the early 1980s Knight and Sabot (1982) had lamented the alleged implications for allocative efficiency of stability of employment in urban Tanzania, commenting that "the lack of mobility reflected in part the payment of wages high by comparison with incomes outside of the modern sector". If this were once true, it no longer is so. So great has been the fall in real wages that it threatens one of the central goals of the Government's recovery programme – to raise productivity and efficiency in state industries. When real wages fall to such a degree, the result is absenteeism, reduced effort, and less commitment to formal employment because of the necessity to seek income supplements elsewhere.

Under these circumstances it is extremely improbable that there has been any improvement in informal sector incomes. It is far more likely that they have fallen along with urban wage incomes. The fall may have been less, in so far as informal sector street vendors have benefited from increased prices. But the number of street sellers and small artisans has probably increased faster than the turnover of sales, because of continued rural-urban migration and the growing number of wage-earning household members entering the informal sector out of necessity. Estimates of informal sector incomes indicate that while a few owners of permanent shops earn more than the urban average, the great majority of operators earn considerably less. This implies that a high proportion of households dependent on the informal sector for a livelihood fall below the poverty line (Jamal, 1982 (Tanzania), pp. 33-36). While urban real wages and informal sector incomes have fallen sharply in recent years, there has been a major shift in income from the poor classes to the élite in urban areas.

Table 5. Real wage trends in Tanzania, 1963-86 (1969=100)

Year	Minimum wage	All wages	Non-agricultural wage
1963	109	64	69
1965	100	84	90
1969	100	100	100
1972	121	101	93
1974	130	113	108
1978	86	73	72
1980	74	53	52
1981	77	49	50
1983	45	...	35
1984	44	...	...
1985	33	...	...
1986	26	...	...

Source: Jamal, 1982 (Tanzania), and 1986a; data for 1984-86 from national sources.

These trends have been intensified by the policies associated with the "stabilisation programme" pressed upon the Government by the IMF. The policies (e.g. devaluation, denationalisation) are familiar ones and of questionable relevance to the specific circumstances of the current economic crisis in Tanzania. The programme reflects the general view of the IMF that inflation, trade deficits and fiscal deficits everywhere have the same cause.

The devaluation which the IMF technicians demanded (and the word is not too strong) seems singularly inappropriate in the Tanzanian context. If its purpose was to shift the terms of trade towards agriculture, that shift had already occurred with a vengeance prior to devaluation (Jamal, 1986a). If the primary purpose was to increase the return to export crops, the effect of devaluation is questionable on both theoretical and empirical grounds. And there is a more general point to be made with regard to the labour market, which is our concern here. The IMF's stabilisation programmes and overall philosophy seem to be based on the assumption that without exception wages are "too high" in developing countries. While it frequently recommends policies to raise real interest rates, it rarely if ever suggests that wages are "too low" and should be raised. This asymmetry in IMF policy reflects a particularly narrow view of how labour markets operate – that any excess of jobseekers over the available openings is evidence that wages are above the "market-clearing rate". In the final part of this article it will be argued that this view is incorrect, and that wages can be below their efficient allocative level without the market manifesting shortages as such – or rather, the shortages manifest themselves in a form that can be superficially interpreted as surpluses.

The evidence indicates that in Tanzania there has been a dramatic shift in income from urban to rural areas, contradicting the view that there is a universal "bias" towards urban development in African countries. It should be noted that Ellis (1984) challenges the allegation that there was ever an "urban bias" in Tanzania's development policy in the sense of a division between rural and urban interests as two distinct categories of pressure groups.[8] Rather, he argues, the conflict was between a portion of the urban élite and the peasantry, and the surplus appropriation associated with this conflict merely (and necessarily) took the form of emphasis on urban development. In this process urban wage earners were secondary and transitory beneficiaries, their gains being quickly eroded by rising prices.

The trends identified at the outset have been harshly confirmed in Tanzania in recent years: real urban wages have fallen tremendously, formal sector employment has become less secure, the urban-rural income gap has narrowed, the formal/informal distinction is breaking down, and income distribution has worsened (at least in urban areas). The fall in real wages has put Tanzania in a league with the "collapsed economies" of Uganda and Ghana.

Uganda

No other country in Africa has suffered from quite as many misfortunes as Uganda has in the past 15 years. It has shared with other African countries the negative repercussions of the recession in the West, the oil price shocks, and disastrous weather conditions. But Uganda is unique in having had to adjust to the break-up of the East African Community, to a war with Tanzania – and to General Idi Amin Dada as the supreme economic planner and political overlord. During a regime of singular economic mismanagement and political repression he reduced a once prosperous and promising country to one of the poorest in the world. Amin's most important foray into the economic field, and the one that set off the decline, was his so-called War of Economic Independence launched against the Asian community in 1972. The subsequent collapse of the modern sector run by the Asians spread to the export sector, bringing ruin to all other branches of the economy.

GDP figures show that between 1970 and 1980 aggregate monetary GDP fell by 25 per cent, implying a decline of around 42 per cent in per capita terms.[9] "Modern sector" GDP fell by as much as 55 per cent. Export production declined massively. The food sector, however, held up fairly well.[10]

In terms of living standards, the economic collapse in Uganda hit the urban wage earners the hardest. In both the late colonial period and the early period of independence Uganda operated a "high wage" policy, intended to establish a permanent "committed" wage labour force in urban areas.[11] The minimum wage had been raised fourfold since 1957, whereas export-crop

prices had declined by 40-60 per cent. Such huge wage increases completely changed the nature of wage employment and the structure of incomes in Uganda. In 1957 the minimum wage would have bought only three-fifths of the food requirements of an average-sized urban family, if we use as the unit of measurement the most basic staple, *matoke* (green bananas) (see table 6); by 1967 the family's food requirements could have been bought by only one-half of the minimum wage.[12] In 1957 the average farm income (including subsistence income) was *three times* the minimum wage; ten years later the minimum wage *exceeded* the average farm income by nearly one-fifth. This structure of incomes collapsed in the 1970s. In the 1980s the minimum wage fell to less than 10 per cent of its 1972 value and would have bought no more than a week's supply of food.

The question we have to ask when confronted with such figures is: how do people survive? For the fact is that despite all the talk of a "collapsed economy" in Uganda urban wage earners do manage to survive without obvious signs of undernourishment. The same could be said for Tanzania and Ghana and Somalia, in all of which wages have fallen equally drastically but wage earners are not suffering from acute malnutrition as statistical calculations would imply. We shall attempt an answer in terms of the case of Uganda which has been studied in depth by one of the authors, who also lived in the country up to 1972.

What happened in Uganda was simply that the wage-earning class ceased to exist as a distinct entity. The massive fall in real wages induced an equally dramatic change in the lifestyle of urban wage-earning households. Similar changes have now taken place in other African countries; the Ugandan case stands out because the changes occurred at such a rapid pace and in such an extreme form. All tribes had to reduce their consumption of preferred foods (meat, milk, fruit, etc.), which in the 1960s were absorbing a sizeable and growing proportion of their income. Even within the category of staple foods there were switches, particularly to maizemeal which, because of differential price trends, became a cheaper source of calories than *matoke*.

Wage-earning households re-established links with the countryside, reversing the labour force stabilisation process of the 1960s. Trips back to the family farm *(shamba)* became common and some members of the family in fact were permanently sent back to tend them. More significantly, more and more urban families began to grow their own food, something they had always done to some extent, but gradually less because of the increasing "stabilisation" of the urban labour force and the influx of non-landowning migrants. With the departure of these migrants Kampala became a more Baganda city than it had ever been – and with the cultivation of food crops a more rural city. Before 1972 most urban budget surveys showed that Kampala was 20 per cent self-sufficient in calories; in the 1980s that figure must have doubled.

The second structural change that took place signified the break-up of the wage-earning class in a more tangible fashion. With wages down to 10-15

Table 6. Minimum wage in nominal and real terms in Uganda, 1957-84, selected years

Year	Minimum wage (shillings per month)	Price index (1972=100)	Real wage index (1972=100)	% of minimum wage needed to purchase family food requirements[1]
1957	33	61.4	29	164
1959	75	62.4	65	...
1962	138	67.0	111	...
1964	150	70.9	114	...
1967	150	75.2	108	49
1970	185	90.2	111	...
1972	185	100	100	60
1976	240	368	35	...
1980	400	3 348	6	...
1981	950	6 068	8	...
1984 (Apr.)	6 000	22 000	15	...
1984 (Nov.)	6 000	35 000	9	450

[1] 9,000 calories per day from *matoke* for an average-sized urban family.
Source: Jamal, 1985.

per cent of their former value, a person also effectively worked that much less. Some of his free time he devoted to organising side activities, or setting up in "business", the buying and selling of small items of consumer goods. More significantly, the wage earner's family members took to this kind of trading, the opportunities for which had increased because of the gap left by the departure of the Asians. Compared with the period before 1972, there was a visible increase in street trading. As a result of these two changes, the distinct classes which had existed in urban Uganda in the 1960s began after the mid-1970s to coalesce into a grand "trader-cum-wage-earner-cum-shamba-growing" class and, though urban incomes fell quite sharply, the total earnings of urban groups from trade, wages and own farming still kept them above basic food poverty.

Though we have provided the answer to the "wage puzzle" in terms of the Ugandan situation, we can nevertheless generalise and say that similar trends have occurred in most of the African countries. Thus the urban classes of Dar es Salaam and Accra have also become multi-occupational and, as noted above, the same holds true in Somalia.

III. Implications for structural adjustment

The "rural-urban gap" has narrowed in most African countries, and in some even disappeared, but the economic baggage that goes with it has yet to be junked. It is not uncommon to hear still that African countries are "high-

wage economies" (World Bank, 1986). "Structural adjustment programmes" currently popular in some circles as the all-purpose cure for the African countries' economic ills are predicated on the same premise. Essentially they take for granted the urban-bias model and seek to redress the balance by reorienting relative prices in favour of the rural areas. The chosen instrument for this is devaluation – the bigger the better.

We have seen that economic stagnation and decline have brought about many of the changes that are supposed to come with devaluation. In virtually every SSA country real wages have fallen in the past decade, presumably more than enough to reduce labour costs substantially and thus stimulate employment. Food prices have risen sharply, and relatively to the general price level (Ghai and Smith, 1987), which should – also according to neoclassical analysis – stimulate production. Neither of these beneficial impacts has so far transpired; yet those who advocate devaluation as a means of "correcting distortions" in SSA countries believe they still have a trump card. While real wages have fallen and the urban-rural gap has narrowed, does it not remain the case that urban labour markets in Africa are characterised by excess supply? And since the answer to this is manifestly "yes", real wages need to fall more, for they are still above the "market-clearing" rate: though some may say that it is unfortunate that real wages have fallen by 65 per cent in a short period in Tanzania, such a judgement is subjective; on objective (optimal allocation) grounds, wages should fall further.

The argument that an excess supply of labour services (or any commodity) implies that its price is too high was discredited already a decade ago, for it is based upon a Walrasian general equilibrium model in which no exchanges occur at disequilibrium prices and (therefore) all adjustment is instantaneous. Its revival today reflects a change in the general political climate in the West which makes such conservative thinking more acceptable, notwithstanding its theoretical shortcomings. It is not necessary to go into these esoteric debates, however, in order to demonstrate the invalidity of this argument for African labour markets.

It was never correct to divide African labour markets into neat categories – rural/urban, formal/informal. Most worker have always straddled both the rural and the urban sector ("circulatory migration") and the formal and the informal sector ("moonlighting"). And now, as a result of the deepening economic crisis, that kind of "doubling" has become more the rule than the exception. An urban wage earner in Africa today is most likely to be simultaneously a part-time farmer and/or a petty trader in the informal sector. When wages fall he does not give up his main job in preference for side jobs, because whatever the wage brings is a net gain to him.

The past characterisation of African labour markets was also incorrect since it was based on the premise that it was the individual rather than the family who was the decision-making unit. The individual compared the income that could be earned in the towns against his income in the countryside and, perceiving a differential, decided to migrate. When it is

realised that it is not the whole farm family that moves but rather the adult male children, the migration equation becomes something quite different from that postulated so far: not a comparison of *average* incomes but of *marginal* incomes – the net addition to family income from the adult son working in town versus his working on the farm. In town the migrant may always find some work to make a net addition to family income, and in the form of cash too, whereas from the farm there may be nothing. No wonder young Africans still flock to the towns despite sharply falling wages. For those who are waiting for markets to clear the wait could be long.

Notes

[1] Kenya, Zimbabwe and the former Portuguese colonies, which all had White settlers, were exceptions. In northern Nigeria there was a national class based on control of landed property, the Hausa-Fulani élite. Nigeria is unusual in this regard.

[2] Particularly in Nigeria. See Weeks (1971). An example of the overemphasis on trade union influence is found in Kilby (1967).

[3] The book contains detailed case studies of Ghana, Kenya, Liberia, Lesotho, Somalia and Zambia in addition to the four considered here.

[4] A similar view is taken in the World Bank's 1981 country report on Nigeria (World Bank, 1981) and in Jamal, 1982 (Tanzania), and 1986b.

[5] Rimmer (1984, pp. 105 and 108) concludes that "the gains won by Nigerian wage earners have been transitory in real terms . . . . Real wages and salaries have tended to deteriorate throughout formalised employment." He goes on to apply this to all of West Africa: "Institutional forces appear not to have produced, since about 1960, any sustained improvement in the pay of persons in formalised employment, and marked reductions in real wages appear to have occurred in some countries."

[6] See ILO/JASPA's aptly titled employment mission report, *Basic needs in danger* (ILO/JASPA, 1982) for Tanzania's achievements in basic needs satisfaction and threats posed by the current recession.

[7] For a review of the evidence from the angle of the villagisation programme see Collier, Radwan et al. (1986).

[8] Ellis writes (p. 47): "The urban bias model . . . sidestep[s] the awkward reality of an intra-agricultural class differentiation, but in so doing it incorrectly divorces the political objectives of various rural classes from the material basis of their interests in agricultural production and agricultural land ownership; behind this lies an unpreparedness to confront the really central political issues implied by championing the peasants."

[9] Figures in this paragraph are based on Uganda, 1984; for further details see Jamal, 1985.

[10] This judgement contrasts with that of the FAO, whose statistics show a sharp decline (17 per cent between 1972-74 and 1980-82, or from 2,141 calories per capita per day to 1,781.) Careful inspection of the FAO data by Jamal (1985) revealed an underestimation of the "roots and tubers" group – cassava, sweet potatoes, and plantains – which normally provides 40-50 per cent of total calories in Uganda. National figures give 2,382 as the figure for calorie availability in 1980-82. The FAO statistics are from their food balance sheet computer printouts. The national figures used are from Uganda, 1984.

[11] Knight, 1967. See also Elkan, 1960, on the development of the urban labour market in Uganda.

[12] If for an average family of four members one added to *matoke* – and obviously no one can live on an unvaried starchy staple diet – vegetables, oil and spices, the proportion would easily rise to 65 per cent; adding fuel would bring it to 75 per cent. If unavoidable housing and water costs – not to mention clothing – were included, very little would be left for discretionary spending. It should be noted that 1967 was the year when urban wage earners enjoyed the highest standard of living ever.

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