Economic Freedom is Critical to Reducing Unemployment in Cameroon

By Dr Fabien Sundjo
The economic evolution of the nation Cameroon, which resulted from the merging between the formal British and French colonies since 1960 have been non-linear. The implication of this non-linear economic performance is the resultant persistent increase in unemployment and underemployment rates. Whereas economic growth averaged 7% before 1980’s (Government of Cameroon, 2003), which stimulated employment, it should however be noted that since then, the growth rate slowed as a result of mismanagement at state-owned and para public corporations, over-centralisation of power as well as administrative bottle necks, which discourage entrepreneurship in the private sector.

Consequently, economic indicators have continued to deteriorate, with per capita consumption falling by 40% as a result of falling incomes, rising external debt and severe downturn in investment from 29% to 11% according to Sundjo (2019). Following the freeze in public sector hiring, unemployment rose significantly, which increased poverty rates amongst households. The impact of falling rates of employment has had different effects in rural and urban milieus.

**Employed strategies to tamper unemployment**

In order to augment the well-being of her citizens and boost employment, several poverty reduction strategic plans that could fit the context of Cameroon were initiated as indicated in the poverty reduction strategy paper (PRSP) and the 2009 growth and employment strategy paper (GESP).

Despite all these strategies, unemployment and underemployment remains a hard nut to crack as it has proliferated in both urban and rural areas. This has been exacerbated by the outburst in 2016 of the Anglophone conflict which, with time has bought economic activity and education to a complete halt in the North and South West. The Cameroon Development Corporation, the second largest employer after the state, has seen more than 80% of her farm closed due to the crisis.

The centralised planning system, which concentrates decision-making in the hands of executives and administrative personnel, has created a perfect environment for inefficient public corporations to flourish and heightened corrupt practices. The centralised system by its nature does little to improve the business climate, which has stymied competition and entrepreneurship in health care, telecommunications, manufacturing and all other sectors. Not only has the centralised and somewhat autocratic planning system stymied entrepreneurship and job creation, it has prevented cost-cutting incentive due to the lack of profit motive in some state corporation.

The absence of genuine structures of governance and accountability has contributed to a major extent to increase inefficiency and embezzlement by government officials. As
evidence Cameroon has been ranked the most corrupt country in the world two times in 1998 and 1999 and today intriguingly, most of her former ministers are in prison on charges of embezzlement.

The joint decision to recruit 25,000 youths and 2000 PhD holders within a 3 year period has been applauded by the population with the assumption that it will resolve the unemployment problem. Such politically-driven public policies set to occur during election cycles are misguided largely because the civil services’ contribution to GDP is insignificant in comparison to a much agile, but politically constrained private sector. For instance, with the escalating Anglophone crisis approximately 80% of primary, secondary and high schools in the Northwest and Southwest regions have shut down according to UN Children Funds. Intriguingly, most of these teachers who are civil servants continue to receive salaries for no work done hence no value added. Secondly, if the candidates are not fully utilised to produce significant value added to the economy, the resultant consequences might be deplorable as they are associated with large cost. This cost is likely to be covered by increase tax from the private sector if not now, then in the future. This will therefore restrain the private sector potential to recruit, resulting in a reduction in economic growth.

According to estimate from the IMF the decline in economic growth in 2016, and in 2017 was driven by low private sector credit, tax related issues and bureaucracy. One of the main objectives of the Growth and Employment Strategy Paper (GESP) 2010-2020 is to reduce the underemployment rate from 75% to less than 50% by 2020. This goal appears ambitious in the absence of credible reforms designed to attract investment in the private sector, reduce the bloated public sector and a renewed focus on STEM education, which has seen the likes of India create technology-centric and highly skilled jobs. With just one year into 2020 and this goal seems self-defeating. It is clear that this goal will not be achieved even in 2025 if a new model which is robust enough and capable of stimulating the private sector or the informal sector is not put in place. Hence, the question regarding which economic policies are most favourable to eradicate unemployment and under employment remains.

**Economic freedom as the only way out for Cameroon**

A strong positive link exist between economic freedom and increased employment. Evidence shows that countries considered ‘free’ or ‘mostly free’ enjoy six times higher income than those with ‘repressed’ systems, according to the 2019 economic freedom Index. In addition, in most Asian Tigers economies, such as Hong Kong and Singapore that registered first and second respectively in the 2019 freedom index, starting a new
business takes just three days, compared to the world average of 34 days. Despite the Cameroon government applauding Asian Tigers, little has been done to mimic their rise, especially in the labour market.

Conceptualisation of economic freedom: What it is and what it is not

The concept of economic freedom is enshrined in Adam Smith’s Wealth of Nations and is described as the extent to which a market economy is put in place such that an environment conducive for the growth of the private sector, the major driver of job creation, is established. As such, state action that interferes with individual autonomy limits economic freedom and entrepreneurship.

It is believed that excessive intrusion by government into economic sphere is associated with enormous cost to the society. This is because government officials, under the centralised system, divert entrepreneurial resources from value adding activities toward rent seeking ones by substituting political judgments for those of the marketplace. The result of such decisions unavoidably is economic stagnation, unemployment and underemployment, declining prosperity and lower productivity.

Economic freedom does not mean the absence of government constraint or coercion, for some government action is necessary for peace and for the nation to defend itself. Economic freedom is not the absent of equality as it privileges equality of opportunity than of outcome. Nevertheless, when government actions go above the minimum level that is necessary it hampers the anxiety to create value added and hence reduce employment.

Mechanism through which economic freedom will generate growth and employment in Cameroon

A nation endowed with institutions capable of guarantying economic freedom, will certainly have the aptitude to provide a growth-enhancing type of incentive for the following reasons:

First economic freedom empowers individuals since it stimulate entrepreneurial opportunity. People with more choices are more likely to be involved in entrepreneurial activities. Consequently, this entrepreneurial activity generates jobs, new product and services, investment opportunities which all things being equal increases the standard of living of a nation. This is as a result of the fact that economic freedom enable producers, individual consumers, financiers and investors to optimally utilise to the best
of their abilities the scarce resources available to them. In this light, these individuals are able to exercise their best in detecting, assessing, and realizing opportunities. Evidence on the relation between economic freedom and entrepreneurial opportunity abound.

Secondly, while the centralised system of planning characterised by bureaucracy stifles the process of establishing a business, countries with significant economic freedom have these processes relatively streamlined. The fewer the challenges involved in establishing an enterprise, the more the number of enterprises that could be created and the higher the number of jobs available in the marketplace. This generates more income and increases the standard of living. For instance, in Hong Kong, while to enter possession of a business license involves filling out just one form for few hours, in Cameroon this procedure takes considerable time, with endless trips into government offices, characterised most often with corrupt bureaucrats. This stifled process, discourages innovation, creativity and hence exacerbates unemployment. The government should focus on streamlining the process of starting a business via automation, which will achieve the twin goals of efficiency and reducing corruption. Failing to automate the registration will stifle innovation and increase private-sector unemployment in the long-run.

Finally, countries with profound economic freedom as seen with the protection of private property, lower taxes and the presence of an independent legal system, promote return on entrepreneurial productive efforts. Inefficiency and the non-minimisation of waste due to moral hazard, is common with the central planning system as it assumes that no one is responsible for the cost. This is exactly what happens with the system of central planning as practiced in Cameroon.

Conclusion

A centralised system is disadvantageous to both businesses and society as the escalating Anglophone crisis illustrates. The persistent increase in unemployment and underemployment has caused many to rethink and in fact advocate for the necessity of autonomous local governance that enshrines individual and economic freedoms. This desired autonomy and the need to create more jobs will not be attained if appropriate economic freedom is not given a chance especially in the context where the public sector is unable to create the requisite jobs.

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