International Labour Organization

▶ **ILO Brief**

March 2023

Employment in Afghanistan in 2022: A rapid impact assessment

Key points

▶ 18 months after the transition to a new administration, Afghanistan continues to face a humanitarian crisis, created through immensely harsh economic conditions and a challenging labour market situation.

▶ In the fourth quarter of 2022, employment is estimated to be 450,000 lower than in the second quarter of 2021, before the transition, and more than 900,000 lower compared to a hypothetical scenario without a change in administration. After some weak recovery immediately following the initial shock, employment has stagnated at low levels. The employment-to-population ratio also remains nearly 3 percentage points below pre-crisis levels.

▶ The lack of wage and salaried employment alongside high inflation rates are causing severe hardships among millions of households struggling to make ends meet.

▶ Female employment is estimated to be 25 per cent lower in the fourth quarter of 2022 relative to the second quarter of 2021, which compares to a decline of 7 per cent for men. Home-based self-employment has become the predominant form of women's participation in the labour market.

▶ Youth employment is estimated to have decreased by 25 per cent in the fourth quarter of 2022 relative to the second quarter of 2021. Restrictions announced in 2022 that limit access to secondary and higher education for young women further contribute to the disproportionate and devastating impact of the crisis on youth.

▶ Background

18 months after the historic political and administrative transition in Afghanistan in August 2021, immensely harsh economic conditions underlie a severe humanitarian crisis. Political uncertainty has resulted in weakened domestic demand, heightened food insecurity, and widespread displacement. These vast domestic challenges have been compounded by global supply side factors that are driving up basic food and commodity prices, hurting especially the most vulnerable and poorest households.

While some signs point to modest improvements in recent months, the country continues to face a multitude of macroeconomic and environmental risks that underpin a highly uncertain development trajectory.

As international aid flows abruptly collapsed following the transition, fiscal expenditures and aggregate demand declined strikingly, consequently undermining private sector activity and household incomes and consumption.[1]

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[1] World Bank, *Afghanistan Development Update: Adjusting to the New Realities*, October 2022.

Preliminary estimates indicate a sharp economic contraction, with GDP in 2021 shrinking by 20.7 per cent and contracting further in 2022, with an accumulated contraction of 30-35 per cent, driven heavily by waning demand in services and industry.[2] By comparison, the agricultural sector also contracted, albeit to a lesser degree, due to severe drought conditions. The critical banking and finance sector remains deeply impacted, with the continuing liquidity crisis constraining business recovery and activity.

The country is facing a deep and multi-faceted humanitarian crisis. Living conditions remain dire, as two in three Afghan households continue to struggle to meet basic food and non-food needs.[3] The Integrated Food Security Phase Classification (IPC) assessment estimates that 18.9 million (45 per cent of the population) are facing high levels of acute food insecurity due to economic instability, drought, a spike in food prices and the Russia-Ukraine war.[4] As of 30 June 2022, internally displaced persons in Afghanistan as a result of conflict had amounted to 3.4 million.[5] Likewise, 1.3 million Afghan persons, including professionals and skilled workers, have outmigrated to neighbouring countries since the political transition in August 2021, signalling a massive loss in the economically active population. In addition, girls and young women remain restricted from attending secondary and university education, which will have lifelong consequences regarding not only decent employment opportunities but also maternal health and domestic violence.[6]

This Brief is the second rapid employment assessment in Afghanistan following the change in administration in August 2021.[7] The assessment includes revised quarterly estimates and trends of employment through the fourth quarter 2022, covering all workers in both the formal and informal economy, and is based on the methodology outlined in the Annex. It presents both sex- and age-disaggregated analyses to highlight the distinct employment situation for women and men and young people and adults.

▶ What is the impact on the labour market?

At the end of 2022, 900,000 fewer workers were in employment compared to the no-crisis scenario

Following the initial shock after the administrative transition and subsequent turmoil in August 2021, employment in Afghanistan reached its lowest point in the fourth quarter of 2021, when there were an estimated 540,000 fewer women and men in employment than in the second quarter of 2021 and around 690,000 fewer working women and men compared to a hypothetical scenario with no change in administration (figure 1).

In the first half of 2022, the labour market saw a very modest recovery of employment, where it was mostly adult men who were able to find employment, and in many instances self-employment.[8] As of late 2022, employment was stagnant again and there were still an estimated 450,000 fewer workers in the fourth quarter of 2022, compared to the level before the crisis. When assessing employment in that quarter with the employment level to be expected in the hypothetical scenario with no change in administration, employment was lower by 900,000.

In relation to the working-age population, which was decimated considerably by outmigration, employment remained equally stagnant towards the end of 2022. After the sharp drop in the employment-to-population ratio (EPR) from 37 per cent in the second quarter of 2021 to 33.6 per cent in the fourth quarter of 2021, there was some modest recovery with the EPR hovering at values of above 34 per cent, which is considerably lower than before the administrative transition.

[2] World Bank, *Afghanistan Development Update*, referencing the National Statistics and Information Authority (NSIA) as the data source for GDP growth in 2021.

[3] World Bank, *Afghanistan Welfare Monitoring Survey (AWMS), Round 2*, November 2022.

[4] IPC (Integrated Food Security Phase Classification), *Afghanistan: IPC Acute Food Insecurity Analysis: June – November 2022*, May 2022.
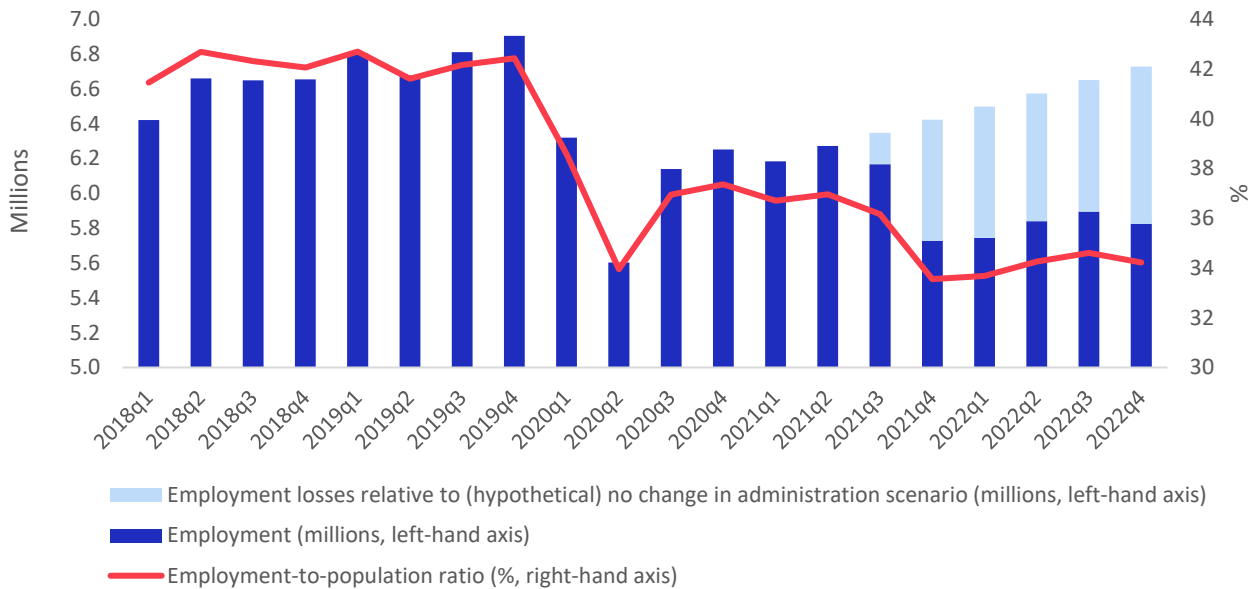
[5] UNHCR (United Nations High Commissioner for Refugees), *External Update: Afghanistan Situation #22*, December 2022.

[6] UNHCR and UN Women, *Afghanistan Crisis Update: Women and Girls in Displacement: Factsheet II*, September 2022.

[7] See: ILO (International Labour Organization), *Employment Prospects in Afghanistan: A Rapid Impact Assessment*, January 2022.

[8] World Bank, *Afghanistan Welfare Monitoring Survey (AWMS), Round 2*, November 2022.

► **Figure 1. Total employment** (millions) **and employment-to-population ratio** (per cent) **in Afghanistan**

Employment losses relative to (hypothetical) no change in administration scenario (millions, left-hand axis)
Employment (millions, left-hand axis)
Employment-to-population ratio (%, right-hand axis)

Notes: See Annex for details about the estimation methodology.
Source: ILO estimates based on Afghanistan Labour Force Survey 2020 and ILOSTAT database.

## Labour incomes have been hard hit, hurting households

The crisis has also had an impact on labour incomes. With the decline of wage and salaried employment and the rise of self-employment, labour income has become more volatile, and earnings in many cases decreased. According to the World Bank's *Afghanistan Welfare Monitoring Survey* conducted from June to August 2022,[9] 46 per cent of all heads of household reported a decrease in earnings. At the same time, inflation rates have surged. Double-digit year-on-year inflation rates for consumer prices were reported by the National Statistics and Information Authority since December 2021. The reported inflation rate reached a maximum of 18.3 per cent in July 2022. Only very recently, inflation came down to 9.1 per cent in November 2022, which is still significantly higher than before 2021.[10] In particular, rising food prices have been a challenge, contributing to the daily struggle of millions to meet their basic food needs.

The impact has been particularly harsh on women

Women have suffered from significantly higher adverse impacts than men. Female employment in the fourth quarter of 2022 is estimated to be 25 per cent lower than in the second quarter of 2021, before the crisis (figure 2). This compares to a drop of 7 per cent for men during the same period. Already in the initial months following the change in administration, female employment dropped steeply, before stabilizing at low levels. As reported by the World Bank, some women moved into self-employed activities, such as farming, piece work or repairing clothes, thereby contributing to household income and preventing female employment from falling by even more.[11] These activities are typically home-based, given the systematic exclusion of women from public life.[12] Nevertheless, the employment situation for women remains critical and was aggravated further by a recent decree banning women from working in national and international non-governmental organizations.[13]

[9] World Bank, *Afghanistan Welfare Monitoring Survey (AWMS), Round 2*.

[10] World Bank, *Afghanistan Economic Monitor*, January 2023.

[11] World Bank, *Afghanistan Welfare Monitoring Survey (AWMS), Round 2*.

[12] UN Women, *Gender Alert No. 2: Women's Rights in Afghanistan One Year after the Taliban Take-over*, August 2022.

[13] "UN and top aid officials slam Afghan rulers' NGO ban for women", *UN News*, 29 December 2022.

▶ **Figure 2. Total and female employment in Afghanistan** (index, 2021Q2 = 100)
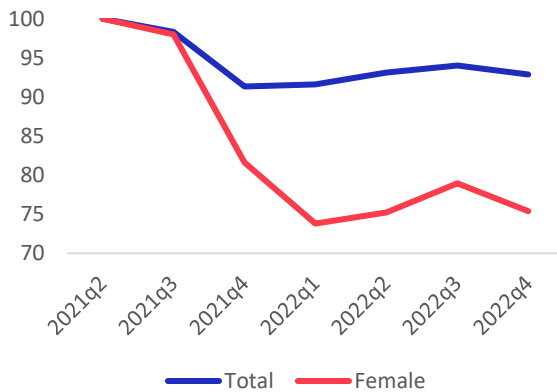
Notes: See Annex for details about the estimation methodology.
Source: ILO estimates based on Afghanistan Labour Force Survey 2020 and ILOSTAT database.

Young people are among those most heavily impacted by the crisis

For young people aged 15-24 years in Afghanistan, the impact on employment has been severe and disproportionate. Youth employment is estimated to have decreased by 25 per cent in the fourth quarter of 2022 relative to the second quarter of 2021. While total employment showed signs of a modest recovery in the first half of 2022 – mainly driven by increases in employment of male adults – employment for both young men and women continued to decrease over the course of 2022 (figure 3).[14]

Youth across economies in Asia and the Pacific were impacted due to COVID-19 and multiple crises through disruptions to education and training, employment and the school-to-work transition.[15] As a result of the economic and political situation and humanitarian crisis in Afghanistan, these channels are aggravated and their impact has long-term implications for a youthful economy and society, with more than four out of ten persons in the

total population in 2022 under the age of 15 years and more than two out of ten persons aged 15-24 years.[16]

▶ **Figure 3. Total and youth employment in Afghanistan** (index, 2021Q2 = 100)
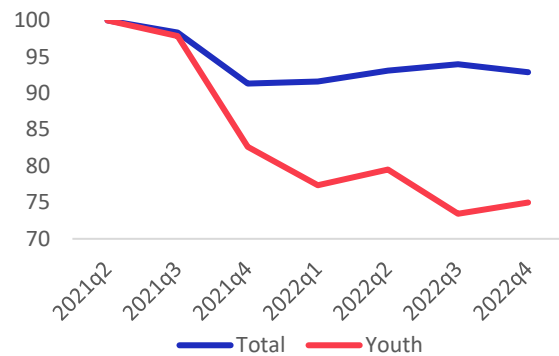
Notes: See Annex for details about the estimation methodology.
Source: ILO estimates based on Afghanistan Labour Force Survey 2020 and ILOSTAT database.

The impact on secondary school enrolment of youth and related changes in youth labour force participation in 2022 put pressure on the labour market during an economic crisis to absorb those young people looking for work and competing with peers and more experienced workers, as well as to retain young workers. Findings from the World Bank's *Afghanistan Welfare Monitoring Survey* conducted from June to August 2022 provide a comprehensive picture of the current education and labour market situation of young women and men.[17] The labour force participation rate for young men aged 14-24 years increased from 48 per cent in June–August 2020 to 59 per cent during the same period in 2022.

Restrictions to access secondary and university education for adolescent girls and young women have severe immediate and long-term implications for female education and labour market prospects in Afghanistan. The recent ban on access to higher education for young women at the end of 2022 is reversing the progress made over the past two decades, when the number of women in higher education increased to around 90,000 in 2019.[18]

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[14] Youth are defined as persons aged 15-24 years and adults as persons aged 25+ years for the purpose of this assessment, in line with international definitions. The *Afghan National Youth Policy (2014-2019) and the Afghan National Youth Strategy (2017-2021)* define adolescents as persons aged 12-18 years and youth aged 18-35 years.

[15] ILO and ADB (Asian Development Bank), *Tackling the COVID-19 Youth Employment Crisis in Asia and the Pacific*, August 2020.

[16] ILO, "Population by sex and age – UN estimates and projections, July 2022 (thousands)", ILOSTAT database, accessed 27 February 2023.

[17] World Bank, *Afghanistan Welfare Monitoring Survey (AWMS), Round 2*.

[18] UNESCO (United Nations Educational, Scientific and Cultural Organization), "Afghanistan: UNESCO Condemns Taliban Decision to Ban Women from Higher Education and Calls for Its Immediate Revocation", 22 December 2022.

Following the closure of secondary schools for girls, net secondary enrolment rates of young women aged 13-18 years declined from 23 per cent in June–August 2020 to just 14 percent during the same period in 2022, with urban enrolment rates for young women collapsing from 50 per cent in 2020 to 16 per cent in 2022. As a result of barring girls from secondary education, there was an increase in 2022 in the share of not-in-school girls aged 14-18 years who entered the labour force, either employed or looking for work, or remained out of the labour force but as inactive non-students.[19]

In line with the impact on households and school participation in 2022, a multi-sector needs assessment and consultations with children conducted by Save the Children until June 2022 found an increase in child labour compared to November 2021, with one in four children reporting to have been asked to support their family through work.[20] These trends further aggravate the barriers to learning and training opportunities for youth in Afghanistan, following the disruptions to technical and vocational education and training (TVET) and secondary education due to the COVID-19 crisis.[21] The restrictions to access secondary education are expected to not only negatively impact female literacy rates, but also have wide-ranging consequences on the quality of jobs, decision-making power and assets available to women in Afghanistan in the future. At the same time, Afghan refugee girls in neighbouring countries also encounter significant barriers to access schooling.[22]

These trends exacerbate pre-existing inequalities and labour market barriers for youth in Afghanistan, particularly young women, who were already in a vulnerable labour market situation prior to 2021. In 2020, three out of four young women aged 15-24 years (74 per cent) in Afghanistan were not in employment, education or training (NEET), thereby excluding them from opportunities to acquire skills or participate in economic activities. In the Asia-Pacific region, Afghanistan had the largest gender gap in youth NEET rates of more than 40 percentage points. The NEET rate in 2020 was particularly high at 80 per cent for young women aged 20-24 years, during a critical phase of life in the transition to the labour market.[23]

► **Figure 4. Total, female and male labour force participation rates in Afghanistan in 2020, by age group** (percentage)
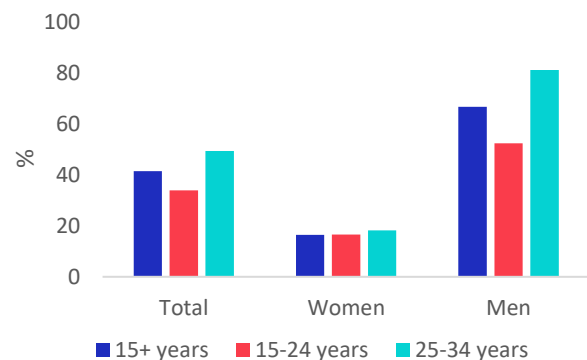
Source: Data based on Afghanistan Labour Force Survey 2020, ILOSTAT database.

The majority of female youth NEET in Afghanistan were out of the labour force (inactive non-students) instead of looking for work (unemployed non-students). Extremely low labour force participation among women, including young women, highlights the labour market constraints imposed by socio-cultural norms, limited access to education and training, and the disproportionate burden due to unpaid household and care work (figure 4).[24] Furthermore, restrictions on mobility and employment of women introduced since the change of administration might have forced some women to leave the labour force.

Providing equal access for all young women and men to quality education and training as well as productive employment opportunities will remain a key challenge and priority for the future of the Afghan economy and society.

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[19] World Bank, *Afghanistan Welfare Monitoring Survey (AWMS), Round 2*.

[20] Save the Children, *Breaking Point: Children's Lives One Year under Taliban Rule*, 2022.

[21] Abdul Hamid Hatsaandh, "Afghanistan Country Study", UNESCO Background Paper Prepared for the 2022 Global Education Monitoring Report: Non-state Actors in Education – South Asia, 2022.

[22] UNHCR and UN Women.

[23] Data based on Afghanistan Labour Force Survey 2020, ILO, ILOSTAT database.

[24] ILO, *Youth Not in Employment, Education or Training in Asia and the Pacific: Trends and Policy Considerations*, November 2022.

▶ Moving forward

Afghanistan is currently grappling with numerous challenges arising from political uncertainty and security concerns. The current crisis has devastated the lives and livelihoods of many Afghans, with the most severe impacts on the most vulnerable and marginalized.

The ensuing circumstances have brought about far-reaching repercussions, including for the labour market. Key sectors of the economy, including agriculture, public administration, social services and construction, have been going through excruciating conditions with large-scale job and labour-income losses.

Women have already been disproportionately affected by the restrictions placed on their movement and ability to work. The labour market situation for women, including young women, remains critical and challenging, and has been further exacerbated by the recent edict barring women from working in national and international non-governmental organizations.

In this context, it is critical to promote the Fundamental Principles and Rights at Work in Afghanistan and continue related advocacy efforts. Moreover, the ILO continues to promote productive employment and decent work for Afghan women and men, in line with the United Nations Transitional Engagement Framework (UN-TEF), by focusing on four key thematic areas. These include enterprise promotion, employment-intensive investments, skills development and emergency employment services.

▶ Annex: Estimation methodology

The brief relies on an estimation procedure to assess the impact of the change in administration on employment in Afghanistan. The definition of employment applied in this brief is based on the international statistical standards which are also utilized in the Afghanistan Labour Force Survey. The details of the estimation methodology are outlined below.

Given the lack of labour force survey data covering the period following 15 August 2021, the estimation approach relies on a cross-country panel data regression analysis to estimate the impact of the shift in administration on overall employment. Given the significance of the change in administration on women, as well as on young people, estimates are produced separately for female youth employment, female adult employment, male youth employment and male adult employment, and then respectively added up to the total.

The last actual data points for employment, based on labour force survey data for Afghanistan, are available for 2020.[25] In addition, official survey data on the labour force and employment are available for 2017. The estimation procedure that is implemented ensures alignment with these data points, including alignment with the estimates of the national working-age population from these surveys and with ILO modelled estimates from November 2022.[26]

The regression with employment as the dependent variable is run on quarterly data covering 2020, 2021 and 2022, available for 75 countries. The respective regression models include the following explanatory variables:

- An estimate of the working-age population from the United Nations Population Division. This indicator allows for the accounting of demographic trends.

- The ratio between female and male labour force participation rates, calculated on the basis of data from national labour force surveys, available from ILO's ILOSTAT database.

- The annual inflation rate, calculated as the annual percentage change of the consumer price index, available from ILO's ILOSTAT database.

- An indicator of transit station mobility from Google Mobility reports, interacted with year dummy variables to account for differential effects in different years.[27] The indicator for mobility at transit stations aims to proxy the level of economic and labour market activity.

- Time fixed effects at the quarterly level, to account for common shocks to employment in all countries.

Based on the estimated coefficients (table A1) and data on Afghanistan available for the explanatory variables, the model is used to generate estimated data points for Afghanistan from the first quarter 2018 to the fourth quarter 2022.[28] Employment in the hypothetical scenario without change in administration (figure 1) is based on the scenario and methodology of the first ILO's rapid employment assessment published in January 2022.[29]

As for the data on Afghanistan available for the explanatory variables, estimates of the working-age population based on the national labour force survey in Afghanistan are used; for the period following 15 August 2021, the data are adjusted downward to consider outward migration, with overall 1.3 million Afghan new arrivals to neighbouring countries

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[25] A labour force survey was also conducted in the first quarter 2021 but has not yet been released by national authorities. Due to methodological differences to previous surveys, data points from the 2021 survey are not directly comparable to previous data points and therefore not used in this assessment.

[26] See ILO, *World Employment and Social Outlook 2023: Trends*, for more information on ILO modelled estimates, November 2022.

[27] Google, "COVID-19 Community Mobility Reports". Publication of data stopped on 15 October 2022, so that data for the fourth quarter of 2022 is restricted to the first half of that quarter.

[28] The employment estimates in this assessment take into account the impact of inflation and the time-varying impact of transit station mobility and hence correspond to a revised version of the estimates and projections published in ILO, *Employment Prospects in Afghanistan: A Rapid Impact Assessment*.

[29] ILO, *Employment Prospects in Afghanistan: A Rapid Impact Assessment*.

between August 2021 and early November 2022.[30] Estimates of the ratio between female and male labour force participation rates in Afghanistan are based on data from ILO modelled estimates, November 2022. Data on the annual inflation rate in Afghanistan is taken from ILO's ILOSTAT database and the National Statistics and Information Authority (NSIA). The indicator of transit station mobility from Google Mobility reports is also available for Afghanistan.

▶ **Table A1. Results of cross-country panel regressions used to estimate employment in Afghanistan**

	Employment (log)			
	Male youth	Male adults	Female youths	Female adults
Working-age population (log)	0.981***	1.024***	1.073***	1.023***
Ratio between female and male labour force participation rates	1.006***	-0.092	2.552***	1.493***
Inflation	-0.014***	-0.006***	-0.011***	-0.005***
Transit station mobility * Year 2020	0.004***	0.002**	0.002	0.003***
Transit station mobility * Year 2021	0.001	0.001*	-0.003**	0.002**
Transit station mobility * Year 2022	-0.003	0.000	-0.008***	0.001
Time (quarter) fixed effects	Yes	Yes	Yes	Yes
R2	0.96	0.98	0.94	0.98
Number of observations	636	636	636	636

Notes: ***, ** and * respectively indicate statistical significance at the 1 per cent, 5 per cent and 10 per cent level. R2 indicates the share of variation explained by the model; as levels of employment are to a large part explained by the size of the working-age population, the R2 takes on values that are relatively close to 1. The regression was run as a pooled ordinary least squares (OLS) regression. "Working-age population (log)" refers to the logarithm of the male youth, male adult, female youth and female adult working-age population, respectively.

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[30] UNHCR, *External Update: Afghanistan Situation #21*, November 2022.