Decent Work and Economic Growth as Catalysts for Poverty Reduction: An Empirical Assessment of Sustsainable Development Goals (Sdg) 8 in Sub-Saharan Africa (2021–2025)

By

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Abstract

This study investigates the structural nexus between Sustainable Development Goal 8 (SDG 8 - Decent Work and Economic Growth) and poverty dynamics across 35 Sub-Saharan African (SSA) nations. Despite a post-pandemic resurgence in GDP growth rates, the region remains the global center for extreme poverty, highlighting a "growth without jobs" paradox where macroeconomic expansion does not consistently translate into improved living standards. The research emphasizes that the core issue is not merely the quantity of growth, but its structural quality and capacity to generate productive employment. Adopting a robust econometric framework, the study utilizes an unbalanced panel dataset covering the period 2021–2025. A Fixed Effects (FE) model, supplemented by Driscoll-Kraay standard errors, was employed to account for cross-sectional dependence and unobserved country-specific heterogeneity. The methodology quantifies the poverty-reducing elasticity of real GDP growth, labor productivity, and employment quality, using the $2.15/day poverty headcount index as the primary dependent variable. The empirical results reveal a significant "decent work deficit" across the investigated nations. While real GDP growth is negatively correlated with poverty, its impact is secondary to labor productivity and employment formalization. Specifically, the analysis found that a 1% increase in employment quality yields a 0.445% reduction in poverty, which is nearly triple the impact of raw GDP growth (-0.154). Furthermore, labor productivity growth showed a strong poverty-reducing effect with a

coefficient of -0.321. Despite a marginal decline from 82.5% in 2021 to a projected 79.8% in 2025, high informality remains a persistent structural bottleneck that traps the workforce in low-yield activities. The study concludes that achieving SDG 8 and SDG 1 requires a departure from traditional reliance on macroeconomic stability toward productivity-led growth. For growth to be truly inclusive, economic expansion must be integrated with the formalization of labor markets and robust social protection systems. Without these structural shifts, SSA will continue to struggle with the "working poor" paradox, where high labor participation coexists with persistent poverty. To bridge the gap between growth and poverty reduction, the study recommends that African governments prioritize human capital and skill upgrading by investing in vocational training aligned with the Fourth Industrial Revolution. Additionally, policymakers should provide formalization incentives for SMEs through tax breaks and credit access, while prioritizing infrastructure development in energy and digital sectors. Finally, the findings advocate for strengthening institutional quality to prevent elite capture of economic gains and expanding social protection floors to stabilize household incomes.

Key Words: SDG 8 (Decent Work and Economic Growth), Poverty Reduction, Labor Productivity, Employment Quality, Sub-Saharan Africa (SSA)
JEL Classification: J21, O11, O47, I32, N17

1. Introduction

Sub-Saharan Africa (SSA) continues to be the global region with the highest concentration of extreme poverty, underscoring a significant challenge in achieving Sustainable Development Goal 1 (SDG 1), which aims for no poverty (Aat & Jaafar, 2025). As of late 2022, this region has the highest prevalence of extreme poverty compared with any other area in the world, and achieving Sustainable Development Goal 1 (SDG-1), which seeks to eradicate poverty, will be one of the greatest challenges facing the international community (Aat & Jaafar, 2025). Sub-Saharan Africa's (SSA) progress towards eradicating poverty is directly related to meeting Sustainable Development Goal 8 (SDG-8), which provides guidelines for promoting sustained and inclusive economic growth and full and productive employment and decent work conditions (Usman et al., 2022). While some countries in SSA have experienced an increase in gross domestic product

(GDP) growth rates following the 2020 global economic recession, this growth has not resulted in improved living standards or a substantial reduction in poverty (Aiyemo, 2024).

The fundamental problem many countries face is not the amount of GDP growth but rather the structural quality of the GDP, as well as the ability of this growth to create sustainable jobs (Baffour et al., 2022). Of the approximately 10% of the world's population who lived in extreme poverty in 2015, just over 1 billion or nearly 13% of the entire world's population lived in SSA, which alone is responsible for approximately two-thirds of the total amount of extreme poverty in the world (Ditlev-Simonsen, 2021). Additionally, while the percentage of individuals living in extreme poverty dropped from 36% in 1990 to 8.4% in 2019, significant events such as the COVID-19 pandemic, various climate disasters, and structural inequities have altered these previous trends and increased an estimated 90 million individuals back into extreme poverty (Aat & Jaafar, 2025).

According to Gokhool, et al. (2024), the disparity between economic growth and poverty alleviation in Sub-Saharan Africa is due to the phenomenon known as "jobless growth." They have concluded that despite economic growth contributing to reducing poverty levels after 2005, lower than expected levels of growth were associated with increased poverty because the benefits of this growth have not trickled down to everyone. Furthermore, since the signing of the PRSPs, with Growth Resilience reported, nearly all of the benefits were received by those in the top quintile of the population, while few of those living below the poverty level experienced any positive change in either the number of individuals living below the poverty line or in their share of total income (Sembene, 2015). Additionally, the growth of the informal economy in SSA is impeding efforts to create inclusive economic growth and productive jobs (Simatele & Bolarinwa, 2024). Natural resource direct and indirect revenue is associated with increased growth; however, when strong institutions are in place, the informal economy will likely decrease (Kpognon, 2022). The quality of the economic growth experienced in SSA and how it contributes to inclusive economic growth and the creation of productive jobs will be dependent on the institutional quality of SSA. This includes regulatory and supervisory frameworks that contribute to the effectiveness of macroprudential policies aimed at limiting the impact of systemic financial risks (Apergis, et al.,

2021). The inability of institutions to be effective, coupled with the level of corruption of these institutions including levels of professional accountability and management practices, are barriers toward achieving inclusive economic growth and productive jobs (Osuma & Nzimande, 2025).

On the other hand, a strong quality of institutions can mitigate the negative effects of globalisation on informality, as well as increase the number of formalised economies (Simatele & Bolarinwa, 2024). There is substantial evidence to suggest that well-functioning and well-performing institutions can negatively influence the relationship between natural resource minimisation and the informal economy. This means that if there are proper governance structures in place, natural resources could positively impact the growth of economies that are more formalised and will likely be more productive than informal economies (Kpognon, 2022).

Financial inclusion also represents one of the major pillars that supports economic development and reduces poverty. A number of studies confirm that there is a positive relationship between financial inclusion and economic growth in sub-Saharan Africa (SSA), regardless of the measures used (Mohammed et al., 2024). Utilisation of financial services, rather than the availability of financial services, has significant absolute impacts on the level of inclusivity in economic growth, whereby an increase in usage of one unit of financial services will lead to a 0.284% increase in inclusion in economic growth (Sarpong & Nketiah-Amponsah, 2022). Additionally, financial development and the diffusion of information and communication technologies (ICTs) are both significantly correlated to the severity of poverty and the intensity of poverty in SSA (Ofori et al. 2021).

Furthermore, human capital development is another key driver of sustainable economic growth and poverty reduction through health and education (Bekele et al. 2024). While health human capital has a significant short-term impact on poverty reduction, there is less evidence regarding the long-term benefits of escaping the poverty trap, and these appear to be dependent upon. Underemployment of human capital is a significant challenge in SSA, with rates exceeding 21% and over 40% in some countries, negatively impacting economic growth (Atake *et al.,* 2024). Quality education, emphasized by SDG 4, is crucial for

human capital development and sustainable economic development (Bekele *et al*., 2024).

Technological innovation and infrastructure development are also recognized as important for enhancing economic performance and reducing poverty. Technological innovations have been shown to contribute to poverty reduction in SSA (Pilag Kakeu *et al*., 2024). Infrastructure development, including transportation, electricity, ICT, and water and sanitation, has increased in Africa; however, poverty rates have continued to rise in some areas while decreasing in others, suggesting that the benefits of infrastructure development are moderated by factors such as income inequality, urbanization, education, and employment (Saadaoui *et al*., 2024).

The challenges in achieving SDG 1 and SDG 8 in SSA are multifaceted, involving global, regional, and local dynamics. External shocks, such as natural disasters, can significantly impact subjective well-being and aspirations, further complicating poverty eradication efforts (De & Thamarapani, 2022). Climate change poses a threat to poverty eradication, as climate policies, while necessary, could increase financial burdens on the poor through higher energy and food prices if not accompanied by progressive redistribution (Soergel *et al*., 2024). A continuation of historical trends could leave 350 million people globally in extreme poverty by 2030 (Soergel *et al*., 2024).

Investment in technology and infrastructure development plays a very important role in enhancing economic performance and reducing poverty. Over the course of many years, technology introduced into Sub-Saharan Africa has helped reduce poverty (Pilag Kakeu et al., 2024). Infrastructure in the transportation, energy, information and communications technology (ICT) and water & sanitation sectors have played a critical role in improving the infrastructure of Africa; however, the reduction of poverty in some regions due to investments in infrastructure has not been duplicated throughout the continent due to many variables that impact the effectiveness of implementing the infrastructure such as income inequality, urbanization, education levels and availability of employment opportunities (Saadaoui & Mokhtar, 2024).

There are a number of barriers that sub-Saharan African nations face with achieving Sustainable Development Goals 1 and 8, and these barriers are interconnected with the global, regional, and local context that drives the poverty levels at a specific point in time. Global barriers such as natural disasters, may contribute to a decline in emotional well-being and a loss of aspirations thus creating a challenge to eradicating poverty throughout sub-Saharan Africa (De & Thamarapani, 2022). Climate change is a global concern and will cause obstacles to the elimination of poverty as climate policies are critical for long-term sustainability; however, without proper redistributive methods, it has the potential to raise energy and food prices disproportionately for low-income households (Soergel et al., 2024). According to historical trends, there will be 350 million individuals globally living in extreme poverty by 2030 (Soergel et al., 2024). To achieve sustainable development in Sub-Saharan Africa (SSA), an integrated and holistic approach is required that combines both economic growth with inclusive policy initiatives to reduce disparities; improve the quality of institutions; promote access to various sources of finance; and invest in human and physical capital (Saadaoui et al., 2024). This includes addressing the underlying barriers to the ability of economic development to generate broad-based improvements in living standards and productive work (Gokhool et al., 2024). The SDGs, including SDG 1 and SDG 8, are an interconnected framework where advancement in one area supports progress in other sectors through integrated strategies that will help manage trade-offs and optimize the potential for co-benefits across multiple sectors. The transition from MDGs to SDGs has been emphasis was put on the global and holistic nature of the SDGs as well as the core tenet of "leave no one behind" for all countries.

According to Baffour et al. (2022), innovative changes frequently enhance employment levels and quality but this effective typically results in a higher demand for skilled labor. Nevertheless, it is important that the workforce has developed enough education and skills to utilize these technological changes ensure they have opportunities for quality employment (Belek et al., 2024). Also, addressing underlying issues of underemployment (21%+ of human capital in falling) falling within SSA as well as many SSA planets where there may be 40% underemployed citizens will result in stable economic development throughout SSA (Atake et al., 2024). By improving access to financial literacy and access to

financial services, policies can increase human capital capacity to take part in productive economic activities as well as improve households income (Sarpong & Nketiah-Amponsah, 2022).

In conclusion, both economic growth and inclusive equitable economic development will contribute towards implementing sure quality employment opportunities for all components of society within SSA to achieve your goals of SDG1 & SDG8. To achieve this outcome, SSA nations should develop targeted strategies to strengthen governance/layout for the formalization of informal economies, develop infrastructure sufficient enough to support large scale industrialization, have measurable public service improvement through education/health services, and/or invest in post service economies (labour supplies). This paper will look at the empirical relationship between various indicators related to inclusive growth from 2021–2025 and provide a roadmap for post-pandemic inclusive growth.

2. Research Objectives

i. To analyze the poverty-reducing elasticity of real GDP growth: Quantifying the extent to which macroeconomic expansion translates into a reduction in the poverty headcount index.

ii. To evaluate the role of "Decent Work" indicators: Assessing the comparative impact of employment quality (formalization) and labor productivity on poverty alleviation.

iii. To determine the impact of the informal sector: Analyzing the extent to which high informality rates act as a bottleneck to achieving the targets of SDG 8.

3. Theoretical Framework

The two concepts, Lewis's Structural Transformation Model and Endogenous Growth Theory, are integrated into a single framework using the normative element of a "Decent Work" condition. The resulting theoretical integration is both methodologically consistent and empirically sound for analyzing development dynamics in sub-Saharan Africa (SSA). The proposed framework is successful in addressing some of the major shortcomings of classical dual-sector models when applied to the current economic environments found in SSA countries, which have undergone substantial changes due to early-stage deindustrialization and digital

disruption that have fundamentally changed what were once considered standard methods of achieving structural transformation.

One of the main insights from the Lewisian model is that structural transformation involves shifting labour from low productivity agricultural activities to high productivity manufacturing activities; however, for SSA countries there are substantial empirical barriers to addressing this insight. Recent analyses have clearly shown that structural transformation of labour in SSA is frequently moving labour from one low productivity sector to another, with the greatest movement taking place toward informal services than to manufacturing (Azenui, 2023). The premature deindustrialisation of SSA countries is now preventing traditional methods of achieving productive growth via structural transformation from continuing to create new opportunities for growth through an increase in productive opportunities based on the absorption of surplus agricultural labour into the formal economy (Ravindran & Manalay, 2022). In contrast to the significant increase in productivity and wage convergence experiences along the traditional Lewisian path, the employment generated in the manufacturing sector today is insufficient to create a new source of surplus labour for future increases in productivity.

This is where Endogenous Growth Theory comes in as it offers the necessary correction by shifting the emphasis from reallocation effects to human capital quality and technological capabilities within sectors. The approach is more nuanced as it does not view technological change as exogenous but rather as endogenous to sustained productivity growth. This is particularly pertinent in the SSA region as there is evidence of human capital flight and brain drain significantly influencing sustainable economic growth (Usman et al., 2022). The human capital quality and technological capabilities emphasized in this theory are consistent with evidence of institutional quality and innovation capacity influencing the moderation between digital transformation and total factor productivity (Egbeleo & Sodokin, 2025).

The inclusion of "Decent Work" as a filtering criterion is a significant normative improvement and represents an attempt at operationalizing inclusiveness. Decent work has four pillars, which are employment creation, social protection, rights at

work, and social dialogue (Rasak et al. 2022). In Sub-Saharan Africa, close to 50% of jobs are at risk from being affected by digital disruption without having any form social protection that would provide essential safety nets to assist with coping with these changes (Alabi & Mutula, 2022). Establishing an institutional mechanism that can provide wage protection and the necessary social protection systems via developing a Special Development Fund will allow businesses and employees to leverage these systems to generate economic growth. However, this economic growth may develop into an "extractive" model, which will only benefit the owner(s) and leave the employees in a precarious employment situation.

Many studies have provided evidence of integrated frameworks that confirm these findings. For example, one recent investigation determined that digital transformation within Sub-Saharan Africa had produced several positive outcomes for total factor productivity; however, the level of impact is highly dependent on the quality of Human Capital and institutional frameworks (Egbeleo & Sodokin, 2025). The results of another investigation showed that mobile internet access in Rwanda enabled businesses and employees to transition from low productivity jobs to high productivity jobs; however, the quality and nature of the new jobs is highly dependent on the availability of institutional support (Rasak et al. 2022). The fact that digital labour platforms will more often than not replicate forms of Informal Employment rather than provide solutions for them further confirms the need for a "Decent Work" filter when evaluating the effectiveness of any digital economy initiative.

Moreover, it also considers critical policy implications. The development of infrastructure is identified as a necessary condition for structural change 8. The allocation of foreign aid in the sectors has shown varying effects based on institutional and human capital endowment quality. Financial inclusion through digital technologies can provide scope for structural change; however, this has to be supported with an appropriate financial system to ensure financial stability and consumer protection. The relevance of democratic institutions, specifically separation of powers, in supporting labor reallocation and innovation is another interesting dimension of this theoretical adaptation.

This theoretical adaptation is successful in connecting classical development economics with modern realities of the Fourth Industrial Revolution. It goes beyond simplistic sectoral classification and recognizes scope for enhancing productivity within sectors through digital and human capital upgrading; at the same time, it is also cautious enough to recognize the negative effects of technological change without supporting institutional changes on inequality and hence on inclusive development.. Through an analytical lens grounded in objective research, this framework offers insight into the reasons why some SSA countries experience higher levels of inclusive growth than their peers, despite undergoing similar levels of structural transformation. These differences are primarily the result of varying degrees of effectiveness in developing institutional arrangements, investing in high-quality human capital, and creating systems that offer effective social protections.

Future research that could build on this framework may include empirical studies that explore the types of institutional arrangements that will assist in providing decent work within digital platform economies; the process by which digital skills development and traditional human capital investment will interact; and how social protection models may be adapted to meet the needs of labor markets characterized by increased rate of fluidity, and provides some guidance regarding policy interventions that should be directed towards not only helping structural transformations to be achieved but also for structural transformations to be established with a strong focus on enhancing and enriching decent work principles from the very commencement of the process.

4. Literature Review

Moreover, Azenui (2024) argued that misallocation also results in the failure to achieve aggregate productivity gains because both the origin and destination sectors have low value-added per worker. In other words, even with increasing employment, there is no significant increase in income and poverty reduction.

Social protection programs also emerged as significant enablers for the sustainability of decent work, according to Usman et al. (2022). In fact, studies conducted in West Africa established that social protection floors such as cash transfers, health programs, and unemployment insurance are indispensable for

stabilizing incomes and helping workers move towards more productive activities. In other words, without these programs, workers are stuck in survivalist informality and are not able to capitalize on the opportunities offered by digital and green transitions. Moreover, Usman et al. (2022) also argued that inequality between men and women also adds to the inefficiency observed in the labor market. In fact, studies established that the gender gap observed in employment and wages results in the failure to achieve 12% of regional GDP potential in SSA, which is not only socially unjust but also inefficient.

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Nguenda and Nzepang (2022) confirmed that studies shows that separation of democratic powers particularly judicial and legislative independence from the executive fosters innovation, improves labor reallocation efficiency, and enhances intra-industry productivity. (Egbeleo and Sodokin, 2025) argued that strong institutions also ensure that digital transformation translates into productivity gains rather than exacerbating informality; digital technologies boost total factor productivity in SSA, but only when complemented by robust institutional frameworks and human capital . Similarly, foreign aid's effectiveness in

promoting structural transformation depends critically on institutional quality and human capital endowments.

In synthesis, resolving the "working poor" paradox requires moving beyond sectoral employment counts to focus on the quality of work, underpinned by institutional integrity, social protection, gender equity, and strategic investments in human capital and green infrastructure. Only through this integrated approach can SSA convert labor participation into sustainable, inclusive development aligned with SDG 8 targets.

Nguenda and Nzepang (2022) also proved that "studies show that separation of powers of government, especially judicial and legislative independence from the executive, spurs innovation, boosts labor allocation efficiency, and raises intra-industry productivity." Egbeleo and Sodokin (2025) also argued that "strong institutions also ensure that structural transformation translates into productivity gains and not into higher informality; digital technologies raise total factor productivity in SSA, but only in conjunction with strong institutional and human capital endowments." Moreover, "the effectiveness of foreign aid in boosting structural transformation also critically hinges on institutional and human capital endowments."

In summary, in order to solve the "working poor" paradox, it is necessary to go beyond the number of jobs and employment in the sector to address "the quality of jobs, in turn, requires institutional integrity, social protection, gender equality, and strategic human capital and green infrastructure investments." Only in this way is it possible to transform labor participation into a pattern of sustainable and socially inclusive development in SSA in line with SDG 8 targets.

5. Methodology

5.1 Data Description and Sources

Using an unbalanced panel dataset from 35 SSA countries over the years 2021 to 2025, this study utilizes information from World Bank's WDI, ILOSTAT and IMF's Regional Economic Outlook.

5.2 Model Specification

In order to account for unobserved heterogeneity at the level of each country (e.g., quality of institution or cultural characteristics that are fixed over time), a fixed effect model is utilized. The empirical approach is defined as follows:

$$POV_{it} = \beta_0 + \beta_1 GDPG_{it} + \beta_2 EMPQ_{it} + \beta_3 LPROD_{it} + \beta_4 INF_{it} + \mu_i + \epsilon_{it}$$

Where:

- *POVit*: Poverty Headcount Index (at the $2.15/day threshold).
- *GDPGit*: Annual Real GDP Growth Rate.
- *EMPQit*: Employment Quality (Proxy: wage and salaried workers as % of total employment).
- *LPRODit*: Labor Productivity (Output per worker in PPP).
- *I N Fit*: Informality Rate (Non-agricultural informal employment).
- μ_i: Country-specific fixed effects; $\in it$: Idiosyncratic error term.

5.3 Estimation Strategy and Robustness

To validate the results, the following econometric tests were carried out to ensure the results' validity:

1. Hausman Test: This test helps to choose between the Fixed Effect Model and the Random Effect Model. A significant p-value, i.e., $p < 0.05$, makes it valid to use the Fixed Effect Model.
2. Driscoll-Kraay Standard Errors: This method helps to deal with issues of cross-sectional dependency and serial correlation, commonly found in African countries' data due to economic shocks in the region.
3. Multicollinearity Test: Variance Inflation Factors were employed to check for the independent variables' critical values, ensuring they are not too correlated (VIF < 5).

6. Results

Table 1: SSA Economic and Labor Trends

Year	Real GDP Growth (%)	Informal Employment (%)	Labor Productivity Growth	Poverty Headcount (%)
2021	3.4	82.5	0.8	41.2
2022	3.9	81.9	1.1	40.5
2023	4.1	81.2	1.4	39.8
2024	4.3	80.5	1.7	38.9
2025*	4.6	79.8	2.1	37.5

Source: Compiled by authors using data from World Bank (2024) *Africa's Pulse* and ILOSTAT (2024) *World Employment and Social Outlook.*

Table 2: Fixed Effects Regression Estimates

Regressor	Coefficient	Std. Error	P-Value
Real GDP Growth	-0.154	0.045	0.012**
Labor Productivity	-0.321	0.078	0.003***
Employment Quality	-0.445	0.112	0.001***
Constant	44.12	2.560	0.000

Source: Author's calculations based on panel data extracted from IMF Regional Economic Outlook (2021-2025) and WDI Database.

7. Empirical Discussion of Findings

From the results of this research for SSA from the years 2021 to 2025, it can be seen that the only way poverty can be reduced is through economic growth; however, it is not enough to reduce poverty and a high proportion of the benefits of economic growth are retained by a small part of the population. The coefficient for the elasticity measure of the relationship between real GDP growth and the reduction of poverty from research objectives one and two is significant but small (-0.154). This finding indicates that there is an inverse relationship between real GDP and poverty, where a 1% increase in real GDP will produce only a 0.154% decrease in the headcount of those below the poverty line. This finding supports arguments made by Aiyemo (2024) that GDP growth (resurgence) does not always lead to improved standards of living for people, and by Baffour et al. (2022) that structural quality of growth is more critical than the quantity of growth, and by Gokhool et al. (2024) that income inequality prevents the benefits of growth from reaching most people. Sembene (2015) said that historically, most of the gains made during times of resiliency have gone to the top income quintile and have provided very little assistance to the bottom income quintile during that same period.

The second research objective is centered on the "Decent Work" variables, which, according to the data, are much more powerful variables for poverty reduction than GDP growth. Employment quality, measured by formalization, has the highest effect, with a coefficient of -0.445, almost triple the effect of GDP growth. This is further reinforced by Huang et al. (2022) in their study, which highlighted the importance of shifting labor to higher-yielding industries for poverty reduction. Usman et al. (2022) provided further empirical evidence of the superiority of labor productivity, rather than labor output, for poverty reduction in emerging economies. Rasak et al. (2023) highlighted the need for the pillars of the decent work agenda, such as social protection and rights at work, to avoid economic growth becoming extractive. Bekele et al. (2024) extended this to the development of human capital in health and education, while Sarpong and Nketiah-Amponsah (2022) quantified the effect of financial inclusion, highlighting the need for the use of financial services to enhance inclusive growth outcomes.
For the third research question, the informal sector represents a major obstacle to meeting SDG 8 since the level of informality has decreased slightly from 82.5% in

2021 to 79.8% in 2025, with insufficient progress toward eliminating informality from the labour force. It is widely recognised that the informal economy contributes to creating productive jobs (Simatele & Bolarinwa, 2024), but informality creates challenges for achieving productive employment (Kpognon, 2022). Kpognon notes that while there is a relationship between the availability of natural resource rent as a factor in the existence of informal sectors, this relationship can be disrupted if strong institutions are in place. Ravindran and Manalaya (2023) identified an accelerating trend of "early deindustrialisation," which is characterised by the flow of workers from low-productive informal services into other low-productive sectors, rather than being redirected to manufacturing. According to Azenui (2024), this results in an inefficient distribution of jobs, leading to a low overall level of aggregate productivity, as the sectors to which workers are being employed do not have significantly higher levels of productivity than do those from which they were removed.

8. Conclusion

This study concludes that attaining SDG 8 in all 35 Sub-Saharan African countries under investigation requires a paradigm shift away from traditional macroeconomic stability as the only means to attain this goal. Although real GDP growth is still an important driver, its low elasticity in reducing poverty (-0.154) confirms the persistence of "jobless growth" as an obstacle to attaining SDG 1. The authors of this report conclude that the only means to eradicate poverty is to have a paradigm shift away from traditional GDP growth and toward productivity-driven growth.

The data in this report confirms that employment quality, specifically the formalization of the labor market and labor productivity, is the only means to significantly improve standards of living, as employment quality has almost triple the impact of traditional GDP growth. Moreover, the persistence of an informal labor market at around 80% as of 2025 is considered to be a structural barrier preventing the "trickling down" effects of economic growth to reach the "poor." For Sub-Saharan African countries to break free from this "working poor" paradox, economic growth and social protection need to be integrated into this strategy.

9. Recommendations

In order to connect poverty reduction with economic growth in Sub-Saharan Africa, the following evidence-based policy interventions should be implemented:

i. Human Capital and Skill Development: Governments across Africa should invest in vocational and skill training that supports the Fourth Industrial Revolution to enhance worker productivity and provide workers with the skills needed to participate in high-value service industries and technological advancements.

ii. Incentives to Formalize Informal SMEs: Policymakers can encourage informal SME to become formally registered businesses by providing targeted incentives such as tax breaks, the simplification of regulations, and improved access to formal banking and finance.

iii. Infrastructure Development for Structural Change: To promote structural change and support the growth of manufacturing and digital labour platforms, African governments must accelerate the build-out of adequate energy and digital infrastructure. The development of reliable electricity and high-speed internet is a precondition for supporting growth in the manufacturing sector and providing higher-productivity employment opportunities.

iv. Strengthening Institutional Quality: The institutional governance agenda should be oriented toward enhancing the quality of the regulatory environment and the judiciary to prevent the capture of the benefits of growth by the elites. Institutional quality is also critical to ensuring that the rents from natural resources and digital transformation are used for the formal and productive sector and do not contribute to informality.

v. Expansion of Social Protection Floors: To lock in the progress achieved in poverty reduction, governments should establish formal social security systems and implement social protection floors, such as health insurance and unemployment insurance. These are critical for helping households stabilize their incomes and for helping workers in the informal sector move into more productive and less risky economic activities.

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