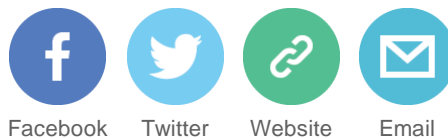


AFRICAN ECONOMIC RESEARCH CONSORTIUM
COLLABORATIVE MASTERS DEGREE PROGRAMME (CMAP)
IN ECONOMICS FOR ANGLOPHONE AFRICA
(EXCEPT NIGERIA)

JOINT FACILITY FOR ELECTIVES



LABOUR ECONOMICS
COURSE OUTLINE
(Revised: December, 2020)



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OBJECTIVES

The objectives of the course in Labour Economics are to:

- (a) Provide students with both theoretical and empirical knowledge about the operation and the importance of labour markets;
- (b) Equip students with the analytical skills required for dealing with labour market issues and policies;
- (c) Familiarize students with current issues and policies relating to labour market outcomes with particular emphasis on Africa; and
- (d) Encourage and develop students' skills and interest in undertaking research in labour market issues using African datasets.

ORGANISATION OF THE COURSE

The course is divided into two complementary parts. Part 1 in the first semester (Labour Economics I) covers the general concepts and theory of labour economics. Part 2 in the second semester (Labour Economics II) is devoted to major empirical, institutional and policy issues pertaining to labour markets in developing countries in general and in sub-Saharan Africa in particular.

MAIN TEXTBOOKS

1. Cahuc, P. and A. Zylberberg (2004), Labour Economics, MIT Press, Cambridge, MA.
2. Ehrenberg R. G. and R. S. Smith (2015), Modern Labour Economics: Theory and Public Policy, 12th Edition, Pearson Education.
3. Kauffman and Hotchkiss (2004), Economics of Labour Market, 6th Edition.
4. Handbook of Labour Economics, ed: O. Ashenfelter and R. Layard, New York: North Holland.
5. McConnel, C.R., Brue, S.L and Macpherson D.A (2010), Contemporary labour Economics, 9th Edition, McGraw-Hill.
6. Borjas George (2016) "Labour Economics", seventh edition, McGraw-Hill Education

GRADING

Final grading will be based on end of semester examinations (60%) and continuous assessments or course work (40%). Continuous assessments will comprise:

- (a) Empirical term paper (mostly focuses on review of critical articles) and presentation: 20%.
- (b) One class test: 20%.



SUMMARY OF TOPICS

FIRST SEMESTER: LABOUR ECONOMICS I (PART I)

1. Introduction to Labour Economics and Labour Market Issues in Africa (5 Hours)
2. Labour Supply (17 Hours)
3. Labour Demand (12 Hours)
4. Wage Determination (15 Hours)
5. Education and Human Capital Theory (11 Hours)

SECOND SEMESTER: LABOUR ECONOMICS II (PART II)

1. Job Search, Information, Employment and Unemployment (16 Hours)
2. Labour Mobility (14 Hours)
3. Economics of Labour Market Segregation and Discrimination (10 Hours)
4. Trade Unions (12 Hours)
5. Labour Market Policies (8 Hours)

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LABOUR ECONOMICS I (60 HOURS)

(FIRST SEMESTER)

1. INTRODUCTION TO LABOUR ECONOMICS AND LABOUR MARKET ISSUES IN AFRICA (5 HOURS)

- 1.1 Definition and Scope of Labour Economics
- 1.2 Importance of Labour Economics
- 1.3 Evolution of the Labour Market Theory
- 1.4 Labour Economics in the Context of Africa
- 1.5 Overview of empirical methods and data for labour economics

Required Readings

- (i) Ehrenberg R. G. and R. S. Smith (2015), Modern Labour Economics: Theory and Public Policy, 12th Edition, Pearson Education. Chapter 2.
- (ii) Borjas George (2016) “Labour Economics”, 7th Edition, McGraw-Hill Education
- (iii) Bazen Stephen (2011) Econometric Methods for Labour Economics, Oxford University Press.
- (iv) Heckman J. J., Lalonde J. R and Smith A. J (1999) “The Economics and Econometrics of Active Labour Market Policies” in Ashenfelter O. and R. Layard, Handbook of Labor Economics, Volume 3A New York: Relevant Volumes, Elsevier. Preface.
- (v) Froelich, M. and Haile, G. (2011), Labour markets in developing countries, *Labour Economics*, Vol. 18, s2-s6.

2. LABOUR SUPPLY (17 HOURS)

- 2.1 Participation and Hours Decisions
- 2.2 Short-run Labour Supply Analysis
 - 2.2.1 Simple Static Model
 - 2.2.2 Extensions to the Simple Static Model
 - 2.2.2.1 Fixed Costs and Rigid Hours
 - 2.2.2.2 Moonlighting Activity
 - 2.2.3 Household Labour Supply Models
 - 2.2.3.1 Family Labour Model
 - 2.2.3.2 Household Production Model
- 2.3 Application
 - 2.3.1 Effects of Taxes and Transfers
 - 2.3.2 Welfare Programmes
- 2.4 Formulation and Estimation of labour supply models using relevant datasets

Required Readings



- (i) Killingsworth Mark K. (1983), Labour Supply Cambridge Surveys of Economic Literature, Cambridge: Cambridge University Press, Chapters: 1, 2, 5 & 6.
- (ii) Ehrenberg R. G. and R. S. Smith (2015), Modern Labour Economics: Theory and Public Policy, 12th Edition, Pearson Education Chapters 6 & 7.

Supplementary Readings

- (i) Blundell R and Macurdy T (1999) “Labour Supply: A Review of Alternative Approaches” in Ashenfelter O. and R. Layard, Handbook of Labor Economics, Volume 3A New York: Relevant Volumes, Elsevier
- (ii) Pencavel J (1993) “Labour Supply of Men: A Survey” in Ashenfelter O. and R. Layard, Handbook of Labor Economics, Volume 1 New York: Relevant Volumes, Elsevier.
- (iii) Killingsworth R. M and Heckman J. J (1993) “Female Labour Supply: A Survey” in Ashenfelter O. and R. Layard, Handbook of Labor Economics, Volume 1 New York: Relevant Volumes, Elsevier.

Readings on Africa

- (i) Baah-Boateng W, Adjei P and Oduro AD (2013) Determinants of moonlighting in Ghana: an empirical investigation. *African Review of Economics and Finance* 4(2): 176–202.
- (ii) Binzel Christine and Assaad Ragui (2011) Egyptian men working abroad: Labour supply responses by the women left behind, *Labour economics*, Vol. 18, pp s98-s114
- (iii) Siphambe H and Motswapong M (2010). Female Labour Force Participation in Botswana. Results from the 2005/06 Labour Force Survey. *Botswana Journal of Economics*. Vol. 7 Issue 11. October 2010. Pp65-78.

3. LABOUR DEMAND (12 HOURS)

3.1 Demand for labour in Competitive Markets

- 3.1.1 Short run and long run analysis
- 3.1.2 Factor Substitution (Technology)
- 3.1.3 Minimum Wage Effects

3.2 Demand in Non-competitive Labour Markets (Graphical approach)

- 3.2.1 Monopsonistic Markets
- 3.2.2 Oligopolistic Markets

3.3 Empirical Specification and Estimation of labour demand models

Required Readings

- (i) Ehrenberg R. G. and R. S. Smith (2015), Modern Labour Economics, 12th Edition, Pearson Education. Chapter 3.
- (ii) Bosworth D., P. Dawkins, T. Stromback (1996), The Economics of the Labour Market.
- (iii) Borjas George (2016) “Labour Economics”, 7th Edition, McGraw-Hill Education



Supplementary Readings

- (i) Hammermesh D. (1993), "The Demand for Labour in the Long Run." In Handbook of Labor Economics, Vol.1, Ashenfelter and Layard.
- (iv) Kauffman and Hotchkiss (2004), Economics of Labour Market, 6th Edition

Readings on Africa

- (i) Bhorat, H., R. Kanbur & B. Stanwix (2012) Estimating the Impact of Minimum Wages on Employment, Wages and Non- Wage Benefits: The Case of Agriculture in South Africa”, *Centre for the Study of African Economies (CSAE)*
- (ii) Haile, G.; Srouf, I. and Vivarelli, M. (2016), Imported technology and manufacturing employment in Ethiopia, *Eurasian Business Review*, Vol.6, 1-23.
- (iii) Zhou Honest and Pindiriri (2015) Informal sector labour demand: Evidence from Zimbabwe’s urban informal metal sector, *The Botswana Journal of Economics*, Vol. 13, Issue 1

4. WAGE DETERMINATION (15 HOURS)

4.1 Market equilibrium Wage determination

4.1.1 Competitive Labour Market

4.1.2 Non-competitive Labour Markets

4.2 Non-market Models of Wage Determination

4.2.1 Compensating Wage Model

4.2.2 Efficiency-wage Model

4.2.3 Insider-Outsider Model

4.2.4 Internal Labour Markets

4.3 Labour Contracts and Incentives

4.3.1 Labour Contracts

4.3.2 Incentive Schemes

4.4 Empirical Estimation and analysis of wages and earnings structure

Required Readings

- (i) Ehrenberg R. G. and R. S. Smith (2015), Modern Labour Economics, 12th Edition, Pearson Education. Chapter 8.
- (ii) Kauffman and Hotchkiss (2006), Economics of Labour Market, 6th Edition

Supplementary Readings

- (i) Card D. (1999), ‘The Causal Effect of Education on Earnings’, in Handbook of Labour Economics, Vol. ed: O. Ashenfelter and R. Layard, New York: North Holland.
- (ii) Willis J. Robert (1993), "Wage Determinants: A Survey and Reinterpretation of Human Capital Earnings Functions," in Handbook of Labour Economics, Vol. ed.: O. Ashenfelter and R. Layard. New York: North Holland.



- (iii) Mincer J. (1974). Schooling, Experience and Earnings, New York: National Bureau of Economic Research.
- (iv) Rosen S. (1993) "The Theory of Equalising Differences," in Handbook of Labour Economics, Vol. 1, Ashenfelter and Layard.

Readings on Africa

- (i) Nanfosso T.R. (2002) 'Union wage differential in Cameroon'. The Journal of Development Alternatives and Area Studies, Vol. 21.
- (ii) Aigbokhan B.E. (2011) 'Efficiency wage, Rent-sharing Theories and Wage Determination in the Manufacturing Sector in Nigeria.' AERC Working Paper RP 222
- (iii) Aminu A. (2011) 'Government Wage Review Policy and Public-Private Sector Wage Differential in Nigeria. AERC working paper RP 223.

5. EDUCATION AND HUMAN CAPITAL THEORY (11 HOURS)

- 5.1 The Theory of Human Capital
 - 5.1.1 Investment Decision
 - 5.1.2 Private and Social Returns to Education
 - 5.1.3 Implications of Human Capital Theory
- 5.2 Application of Human Capital Model
- 5.3 Critique of Human Capital Model
 - 5.3.1 Education as a Screening or Signaling Device
- 5.4 On-The-Job Training
 - 5.4.1 General vs. Specific Training
 - 5.4.2 Implications of On-The-Job Training

Required Readings

- (i) Botjas G (2015) Labour economics, 7th Edition, McGraw Hill, Chapter 6
- (ii) Ehrenberg R. G. and R. S. Smith (2015), Modern Labour Economics, 12th Edition, Pearson Education. Chapter 9.
- (iii) Kauffman and Hotchkiss (2006), Economics of Labour Market, 6th Edition
- (iv) Freeman D Richard (1999) "Demand for Education" in Ashenfelter O and Card D (eds) Handbook of Labor Economics, Vol 1.
- (v) Card D. (1999) "Causal effect of education and earnings", Chapter 30 of Handbook of Labour Economics, Vol. 3A
- (vi) G. Becker ()

Readings on Africa

- (i) Siphambe, H. K (2008), Rates of return to education in Botswana: Results from the 2002/03 HIES Data. South African Journal of Economics. Vol. 74 No. 4, 2008. Pp 645-651.
- (ii) Siphambe, H.K., (2000) "Rates of Return to Education in Botswana", Economics of Education Review (USA), Vol. 19, no.3, 291-300.



LABOUR ECONOMICS II (60 HOURS) **(SECOND SEMESTER)**

1. JOB SEARCH, INFORMATION, EMPLOYMENT AND UNEMPLOYMENT (16 HOURS)

1.1 Job Search and Information

- 1.1.1 Job search and matching
- 1.1.2 Labour Market Information

1.2 Unemployment

- 1.2.1 Concept and measurement and its application in Africa's context
- 1.2.2 Types and costs of unemployment
- 1.2.3 Youth unemployment and demographic trends
- 1.2.4 Empirical estimation and analysis of determinants of incidence and duration of unemployment

1.3 Underemployment

- 1.3.1 Concept and measurement of underemployment
- 1.3.2 Empirical review of underemployment in Africa

1.4 Informality

- 1.4.1 Concept – informal sector employment and informal employment
- 1.4.2 Wage determination and wage structure in the informal sector

1.5 Employment Policies in Africa

- 1.5.1 Supply-side Policies - Population Policy
- 1.5.2 Demand-side Policies
 - 1.5.2.1 Labour Absorption capacity
 - 1.5.2.2 Special Employment Programmes

1.6 Child Labour

- 1.6.1 Definition and concept of child labour
- 1.6.2 Limitation and application in Africa's context
- 1.6.3 Causes and consequences of child labour

Required Readings

- (i) Mortensen D.T. (1993). "Job Search and Labour Market Analysis." in ed.: O. Ashenfelter and R. Layard, Handbook of Labour Economics. North Hollan. pp. 849-919.
- (ii) ILO (1990), Employment, Unemployment, and Underemployment, An ILO Manual on Concepts and Methods, Geneva
- (iii) Bazen Stephen (2011) Econometric Methods for Labour Economics, Oxford University Press.
- (iv) Baah-Boateng, W. (2015). Unemployment in Africa: how appropriate is the global definition and measurement for policy purpose. *International Journal of Manpower*, 36 (5) 650-667, Emerald.

Supplementary Readings



- (i) Parsons Donald (1993). "The Employment Relationship: Job Attachment, Work Effort and the Nature of Contracts." in Handbook of Labour Economics, ed.: O. Ashenfelter and R. Layard. New York: North Holland.
- (ii) Schoer V. and M. Leibbrandt (2006) 'Determinants of Job Search strategies: Evidence from Khayelitsha/Mitchell's Plain Survey', *South African Journal of Economics* Vol. 74(4).
- (iii) Parsons D. (1993). "The Employment Relationship: Job Attachment, Work Effort and the Nature of Contracts." in Handbook of Labour Economics, ed.: O. Ashenfelter and R. Layard. New York: North Holland.

Readings on Africa

- (i) Baah-Boateng, W. (2016). Youth unemployment challenge in Africa: what are the drivers? *Economic and Labour Relations Review*, 27(4), 413-431
- (ii) Baah-Boateng, W. (2013). Determinants of Unemployment in Ghana. *African Development Review*, 21(4) 385-399, Wiley Publication.
- (iii) Siphambe H.K (2007), Growth and Employment Dynamics in Botswana: A Case Study of Policy Coherence. Working Paper no. 82. ILO. ISBN: 9789221204282; 9789221204299 (web pdf).
- (iv) Siphambe, H.K (2003), Understanding Unemployment in Botswana, *South African Journal of Economics*, Vol. 17:3, pp 480-495
- (v) Siphambe, H. K. (2004), The Nature of Child Labour in Botswana's Labour Market and its Challenges on Poverty and Unemployment- Results from 1995/96 Labour Force Survey Data. *Indian Journal of Social and Economic Policy*. Vol. 1 no 2. December 2004. pp 283-291.
- (vi) Nanfosso T.R. (2009) 'Child Labour in Cameroon' in Hinduman (eds). *The World of Child Labour*, M.E Sharpe publisher, New York.
- (vii) Nkamleu G.B. (2009) 'Determinants of Child Labour and Schooling in the Native Cocoa Households of Cote d'Ivoire'. AERC working paper RP-190.

2. LABOUR MOBILITY (14 HOURS)

- 2.1 Types of Mobility
 - 2.1.1 Spatial
 - 2.1.2 Job mobility
 - 2.1.3 A cross sectors
 - 2.1.4 Occupational
- 2.2 Labour Migration
 - 2.2.1 Internal Labour Migration
 - 2.2.2 International Labour Migration
 - 2.2.2.1 Human Capital explanation of migration
 - 2.2.2.2 Asymmetric Information perspective of international migration
 - 2.2.3 Consequences of international migration
 - 2.2.3.1 Brain drain and Remittances
 - 2.2.3.2 Other Effects of Migration



- 2.3 Labour Turnover
 - 2.3.1 Job Tenure
 - 2.3.2 Quits and Lay-Offs
- 2.4 [Empirical analysis of international and internal labour migration](#)

Required Readings

- (i) Borjas G (2015) Labour economics, 7th Edition, McGraw Hill, Chapter 8
- (ii) Ehrenberg R. G. and R. S. Smith (2015), Modern Labour Economics, 12th Edition, Pearson Education. Chapter 8.
- (iii) Chiswick R Barry and Miller W Paul (eds) (2015) Economics of International Migration, Vol. 1A and 1B., Elsevier

Supplementary Readings

- (i) Dustmann Christian and Gorlach Joseph-Simon (2015) "Selective Out-Migration and the Estimation of Immigrants' Earnings Profiles" in Chiswick R. B and Miller W. P (ed) Handbook of Economics of International Migration, Vol 1A, Elsevier
- (ii) McDonald T. J and Worwick C (2015) "High-Skilled Immigration in a Globalised Labour Markets" in Chiswick R. B and Miller W. P (ed) Handbook of Economics of International Migration, Vol 1A, Elsevier
- (iii) Dustmann, C. and Frattini, T. (2014), The Fiscal Effects of Immigration to the UK, *Economic Journal*, 124 (November), F593-F643.
- (iv) Liebig, T. and Mo, J. (2013), The fiscal impact of immigration in OECD countries, chapter 3, in (OECD, ed.), International Migration Outlook 2013, pages 125–189, Paris: OECD Publishing.
- (v) Beine, M. F. Docquire and H. Rapoport (2001) 'Brain drain and economic growth: theory and evidence' *Journal of Development Economics*, Vol. 64.
- (vi) Katz E. and O. Stark (1987), "Migration, Information, and Costs and Benefits of Signalling." *Regional Science and Urban Economics* August, 17(3):323-331.
- (vii) Katz E. and O. Stark (1987). "International Migration under Asymmetric Information," *Economic Journal*, September 97(387):718-726.
- (viii) Borjas G. J. (1994) 'The Economics of Immigration', Journal of Economic Literature, 32: 667-1717.

Readings on Africa

- (i) Nanfosso T.R. and Akono, C (2009) 'Migration and wage differentials in urban Cameroon', *Research in Applied Economics*, Vol. 1.
- (ii) Quartey P. (2006) 'The impact of migrant remittances on Household welfare in Ghana'. AERC working paper RP 158



3. ECONOMICS OF LABOUR MARKET SEGREGATION AND DISCRIMINATION (10 HOURS)

- 3.1 Segregation versus Discrimination in the Labour Market
- 3.2 Types and Economic Theories of Labour Market Discrimination
- 3.3 Measuring Labour Market Segregation – Segregation Indexes
 - 3.3.1 Duncan Index of dissimilarity
 - 3.3.2 Marginal Matching Index
 - 3.3.3 Size Standardized Index of dissimilarity
 - 3.3.4 Other segregation indexes
- 3.4 Measurement of Labour Market Discrimination
 - 3.4.1 Linear Regression – Mincerian earnings equation
 - 3.4.2 Earnings decomposition – Oaxaca and beyond

Required Readings

- (i) Bosworth D., P. Dawkins, T. Stromback (1996), The Economics of the Labour Market. R.F.
- (ii) Becker G. S. (1971), The Economics of Discrimination, Chicago: University of Chicago Press. 2nd ed.
- (iii) Bazen Stephen (2011) Econometric Methods for Labour Economics, Oxford University Press

Supplementary Readings

- (i) Baah-Boateng, W. (2014). Empirical Analysis of the Changing Pattern of Sex Segregation of Occupation in Ghana. *International Journal of Social Economics* 41(8) 650-663, Emerald
- (ii) Aigner Dennis A. and Glen G. Cain (1977), "Statistical Theories of Discrimination in Labour Markets," Industrial and Labour Relations Review, 30(2):175-187.
- (iii) Cain Glen G. (1976), "The Challenge of Segmented Labour Market Theories to Orthodox Theory: A Survey," Journal of Economic Literature, Vol. 14 (December):1215-1257.
- (iv) Cain G. (1986), 'The Economic Analysis of Labour Market Discrimination: A Survey', in Handbook of Labor Economics Volume 1, 1986, Pages 693–785O.
- (v) Altonji J. and R. Blank (1999), 'Race and Gender in the Labour Market', in O. Ashenfelter and R. Layard, ed. Handbook of Labor Economics, Elsevier Science Publishers.

Readings on Africa

- (i) Kolobe, M, Bakwena, M and Siphambe H (2015) Analysis of Gender Wage Differentials: The case of Botswana's Labour Market. *Asian-African Journal of Economics and Econometrics* Vol. 15. Number 2. Dec 2015. 127-146.



- (ii) Siphambe, H.K and Thokweng- Bakwena, M (2001) “The Wage Gap Between Men and Women in Botswana’s Formal Labor Market”, *Journal of African Economies* (Oxford, UK). Vol. 10, Issue number 2, 127-142.
- (iii) Krishnan, P., Appleton, S. and Hoddinott, J. (1999), Decomposition of wage differentials by sex: A new technique and applications to three African countries, *Economic Development and Cultural Change*, Vol. 47(2), January 1999, pages 289-312
- (iv) Ntuli M. (2009) ‘Exploring gender wage "discrimination" in South Africa, 1995-2004: A Quantile Regression Analysis’, in *Labour markets and Economic Development* edited by Ravi Kanbur and Jan Svejnar, New York, Routledge.
- (v) Appleton Simon, John Hoddinott and Pramila Krishnan, (1999) ‘The Gender Wage Gap in Three African Countries’, *Economic Development and Cultural Change*: 289-312.

4. TRADE UNIONS (12 HOURS)

- 4.1 Theories of Union Behavior
 - 4.1.1 Monopoly Model
 - 4.1.2 Right-to-Manage Model
 - 4.1.3 Efficiency Wage Bargain Model
 - 4.1.4 Seniority Model
- 4.2 Collective Bargaining, Industrial disputes and Strike Activity
- 4.3 Economic Impacts of Unions
 - 4.3.1 Union Wage Effects - Measures and Empirical Evidence
 - 4.3.2 Unions and Productivity

Required Readings

- (i) Botjas G (2015) *Labour Economics*, 7th Edition, McGraw Hill, Chapter 10
- (ii) Ehrenberg R. G. and R. S. Smith (2015), *Modern Labour Economics*, 12th Edition, Pearson Education.
- (iii) Farber S Henry (1999) “Analysis of Union Behaviour”, Chapter 18 of *Handbook of Labor Economics*, Vol. 2
- (iv) Kennan John (1999) “The Economics of Strike”, Chapter 19 of *Handbook of Labor Economics*, Vol. 2
- (v) Lewis Gregg H (1999) “Union Relative Wage Effects”, Chapter 20 of *Handbook of Labor Economics*, Vol. 2

Readings on Africa

- (i) Motswagae, T and Siphambe, H (2015). The Impact of Trade Unions on Earnings in Botswana’s labour Market. *Journal of Social and Economic Policy* (JSEP). Vol. 12. Number 2. Dec 2015.49-64.
- (ii) Panford Kwamina (2011) “Trade Unions, Democratic Transition and Organizational Challenges: The Case of the Ghana TUC (1989-2009)” in Craig Phelan, Ed: *Trade Unions in West Africa*, Peter Lang, Oxford, pp. 145-178



5. LABOUR MARKET POLICIES (8 HOURS)

5.1 Labour Standards and the International Labour Organization

5.2 Social Protection

5.2.1 Formal – Social Security Scheme, Unemployment Insurance etc.

5.2.2 Informal – Social and family network, social safety nets

5.3 Active and Passive Labour Market Policies

Required Readings

- (i) Gary, F. (2007), Labour Market Policies in Developing Countries: A Selective Review of the Literature and Needs for the Future, Cornell University IL School
- (ii) Laura, M. and Puerta, S. (2010), Labor Market Policy Research for Developing Countries: Recent Examples from the Literature-What do We Know and What should We Know? SP Discussion Paper No. 1001, The World Bank.
- (iii) Seleka, T, Siphambe H, Ntseane, D, Mbere, N, Kerapeletswe C, and Sharp C (2007). Social Safety Nets in Botswana: Administration, targeting and sustainability. BIDPA. LightBooks, Gaborone, Botswana.

A large, semi-transparent watermark of the AERC CREA logo is centered on the page. It features a yellow map of Africa within a circular frame, with the text 'AERC' above 'CREA'.