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Boosting youth employment in Africa: what works and why?

Summary and highlights of the synthesis report for the INCLUDE/MFA conference, 30 May 2017 in The Hague[1]

To download the full synthesis report with references, see: http://includeplatform.net/downloads/synthesis-report-boosting-youth-employment-africa-works/

Summary

Youth employment is a top priority for African countries. More than 10 million young Africans enter the workforce each year. Most of them work in agriculture; at best, **1 in 4 will find a wage job**. For most African youth (aged 15–24 years) the key employment issue is ***underemployment***. They do work, but ***part-time* and in *low-skilled* jobs in the informal sector, including in subsistence agriculture and urban self-employment**. Such employment offers no job security, minimal benefits, low pay, and often unhealthy working conditions. To reach the majority of youth, short- and long-term employment strategies need to take into account the current nature of youth employment across Africa. Where do most young people reside? Where do they, and will they be, working in the coming years? And what are the characteristics and aspirations of youth?

Despite rapid urbanization, the bulk of African youth live in rural areas. In 2010, the majority of the population in Africa worked on a family farm (60%) or in a household enterprise (20%). **By 2020, most new jobs will be created in these informal sectors: one-third in agriculture and no less than 45% in household enterprises**. In many countries in Sub-Saharan Africa the **off-farm food system** is growing rapidly and offers significant employment opportunities. However, jobs created in this area will not match those created in agriculture, in absolute terms, for at least the next 10 years. **At the same time, wage employment in industry and services remains low**: in 2010, the wage sector provided jobs to only 16% of the labour force. **By 2020, only 8% of total new jobs will be created in the wage industry sector**. Even if the sector grows at the rates experienced in Asia, it will not create sufficient jobs in the next 20 years, as the growth is from a very low base. **The wage services sector is expected to do better: by 2020, roughly one-third of all new jobs will be created in this sector**. The digital economy also offers opportunities, but here, too, the scale is limited. **The digital economy is estimated to provide direct employment for only 1 in every 50 youth entering the labour market**. These numbers show that formal wage employment is not an option for many young people. Informal is the norm, and **productivity growth in the informal sector is more likely to create employment in the short term than the formal sector**.

However, **youth are not a homogenous group**. Four groups of youth can be distinguished: ***rural youth*** from modest farming families working on the family farm; ***low-skilled, self-employed youth*** in urban or rural survival enterprises; ***young apprentices*** in rural or urban individual enterprises; and 4) ***young urban graduates*** seeking formal wage-employment. These different groups face different employment and employability constraints.

Reaching the different types of youth requires a **comprehensive approach** that combines measures to create employment with measures to ensure that youth have access to jobs. **Effective short-term micro-level intervention**s are those that offer **multiple services** (training, finance, land, technology and networks), **tailored to individual needs** (profiling), with long-term mentoring. **Effective short-term macro-level interventions** are those aimed at **enhancing productivity in agriculture** (including new opportunities in the **off-farm food system**) and in **informal household enterprises**. Local economic conditions determine the (sub) sectors to prioritize. Youth are most likely to gain productive employment when entry barriers are low, demand for the product/services is increasing, and the activities can be performed year round. **Continued investment in the creation of wage employment in manufacturing and services is needed to absorb the expanding labour force, but will only yield results in the long term**.

[1] Disclaimer: this synthesis report, summary and highlights represent the views of the INCLUDE Secretariat.

Different actors have different roles to play in creating employment opportunities for youth. The **private sector creates most new jobs**, either through its own businesses or by making impact investments. The private sector can also **engage in training programmes to ensure that youth have the skills that the market needs**. **NGOs often have a comparative advantage in implementing micro-level interventions**, as they are close to young people in their communities and can work with local business associations and CBOs. **National governments are key actors for promoting enabling business and investment conditions**, and **coordinating** the efforts of various actors. To translate good policies into effective implementation and continuous learning requires **political will**. **Donors have a role to play in supporting and funding youth employment programmes and youth organizations** (e.g. farmers' associations, resource hubs, CBOs). They can also assist in **value chain development**, both financially and through technology transfers. **Financial institutions are crucial funders of programmes aimed at enhancing productivity** in agriculture, the off-farm food system, and household enterprises, as well as long-term investments in industrial development. Finally, **knowledge institutes can play a vital role in providing governments and development partners with proper diagnoses** of youth un- and underemployment challenges and the effectiveness and impact of programmes and interventions.

There is a growing international consensus that a **policy shift** is needed to create employment for youth in the short term. Tackling un- and underemployment among African youth requires **a *local* focus on multiple interventions that increase productivity in potential growth sectors, as well as tailor-made interventions that equip youth to exploit these opportunities.**

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Highlights of the synthesis report

Section 1. Why jobs for youth?

- Youth employment is a top priority for African countries. More than 10 million young Africans enter the workforce each year. Most of them work in agriculture and, at best, 1 in 4 will find a wage job.
- In most African countries (except for Rwanda, Benin and Guinea) youth unemployment is 2 to 3 times higher than adult unemployment.
- For most African youth (aged 15–24 years) the key employment issue is *underemployment*. They work *part-time* and in *low-skilled* jobs in the informal sector, either in agriculture or household enterprises. This employment generally offers no job security, minimal benefits, very low pay, and unhealthy working conditions. At the same time, youth aspirations are high, potentially creating a breeding ground for social tension.
- To reach large numbers of youth, bold measures are needed to create sufficient employment opportunities and new jobs.

Section 2. How to prioritize? Understanding the nature of youth employment in Sub-Saharan Africa

- To know how and where Sub-Saharan Africa's youth will find employment – and what governments, the private sector, donors and other policy stakeholders can do to support them – it is essential to understand the structure of the labour market and what this means for youth employment challenges.
- The following questions need to be answered: 1) Where do most young people reside? 2) Where do young people work, and where will they be working in the coming years? 3) What are the characteristics of youth?

Rural versus urban employment

- Urbanization is increasing and, by 2050, the majority of the population in Sub-Saharan Africa will live in cities. Yet, most people currently live in rural areas (60%) and, in most Sub-Saharan African countries, the share of the youth population living in rural areas remains high.
- There are considerable differences between Sub-Saharan African countries in terms of the proportion of people living in urban and rural areas. For example, in 2015, only 16% of the Ugandan population lived in cities, while in Senegal this was 44%.

Continuing importance of agriculture and the potential of the broader food system

- In 2010, the majority of the population in Africa worked on a family farm or in a household enterprise (see Figure 1).
- Although the share of the labour force engaged in agriculture in Sub-Saharan Africa is generally declining, agriculture is the single largest employment category and will remain so for at least the next decade or more, especially for young people.
- In 2010, roughly 60% of the labour force were employed in agriculture (see Figure 1).
- By 2020, one third of all new jobs will be created in this sector (see Figure 2) and 37% of the new labour market entrants are, or will be, working in agriculture between 2010-2020 (see Figure 3).
- Agriculture can be a viable sector for youth, especially as Africa currently spends USD 35 billion importing food and it is projected that this number will grow to USD 110 billion by 2025.
- There are significant opportunities for youth in the broader food system (including processing, distribution, transportation, storage, and retailing), due to increasing demand from the urban and rural middle class. As employment in the broader food system starts from a low base, the absolute contribution of off-farm employment to new jobs will be smaller than that of farming, at least for the next ten years.

Significance of (non-farm) household enterprises

- In 2010, roughly 20% of the labour force worked in household enterprises (see Figure 1): unincorporated, non-farm businesses owned by households. The majority of household entrepreneurs are self-employed, predominantly in the service sector (trading), but also in manufacturing and artisanal activities (charcoal, flour, roof thatching, dress making and construction). By 2020, roughly 45% of total new jobs will be created in this sector (see Figure 2).

- For youth with limited or no education and skills, or without the necessary experience to land a formal sector wage job, household enterprises are a viable alternative.
- Effective short and medium-term employment strategies need recognition and support for (non-farm) household enterprises.

Low share of formal wage employment

- In 2010, the wage sector provided jobs to only 16% of the labour force (see Figure 1).
- By 2020, only 8% of total new jobs will be created in the wage industry sector (see Figure 2).
- Although the wage industry sector is increasing in size, industrialization starts from such a low base that even radical industrialization, comparable to Asia, will not generate sufficient jobs to absorb new entrants to the labour market for the next two decades.
- The wage services sector is expected to do better. By 2020, roughly a third of all new jobs will be created in this sector (see Figure 2) (e.g. in health, education, ICT, commerce and transportation).
- Yet, the notion of a formal wage job being the only pathway to employment for youth in Africa is misguided. However, this does not mean that the wage sector should be ignored. Continued investment in the development of this sector is needed for the structural transformation of African economies, but it will not provide sufficient job opportunities in the short term.

Different groups of youth – youth characteristics

- Employment aspirations, distance to the labour market and access to employment differs for different groups of youth. Four groups of Sub-Saharan African youth can be identified (see Figure 4):
  - Rural youth from modest farming families working on the family farm
  - Low-skilled, self-employed youth in urban or rural survival enterprises
  - Young apprentices in rural or urban individual enterprises
  - Young urban graduates seeking formal wage-employment
- The size and proportion of the different groups is country specific. In low-income and lower middle-income countries (see Table 1 for a classification of Sub-Saharan African countries), the large majority of youth reside in rural areas, are low-educated and work in agriculture. The group of young urban graduates is typically less than 5% of the population.

Section 3. Diagnosis: what are the determinants of un- and underemployment in Sub-Saharan African countries?

- Designing effective employment strategies starts with proper country-specific diagnoses of the current challenges in the sectors that will generate most employment.
- The key micro- and macroeconomic constraints are:
  - Microeconomic constraints: Human capital constraints (education and skills) limit the employability of youth. Youth also lack access to financial services, land, and social networks that would enable them to benefit from economic opportunities.
  - Macroeconomic constraints: The generation of employment and economic opportunities is limited by slow economic transformation, low productivity in the key economic sectors, unfriendly business environments due to poor regulation and corruption, and poor coordination of national employment strategies.

Section 4. What do we know about what works and why?

- Although macroeconomic and business environment improvements are fundamental to promote youth employment, system-wide interventions are often insufficient or not timely enough to create jobs for youth. Micro-policy interventions can produce quicker results.
- There is a call for a policy shift that prioritizes increasing productivity in potential growth sectors (agriculture, the off-farm food system and household enterprises), as well as tailor-made interventions that equip youth to exploit these opportunities.

Effective microeconomic interventions

- Effective short-term micro-level interventions are those that offer multiple services, that are tailored to individual needs (profiling), and that include long-term mentoring.

- Effective interventions to enhance youth employability include investing in education and skills training. Technical and vocational skills are not sufficient; basic education as well as soft skills are essential to enhance the employability of most groups of youth.
- Effective interventions to enhance youth access to employment include enhancing their access to finance, land, technology and social networks.

Effective macroeconomic interventions

- Effective short-term macro-level interventions are those aimed at enhancing productivity in agriculture (including new opportunities in the off-farm food systems) and at increasing productivity in informal household enterprises.
- **Agriculture** should, and can, be made more productive. In particular:
    - The pace of economic transformation from farm to off-farm employment is directly related to agricultural productivity growth, as was the historical pattern in Asia. When agricultural productivity is increased, the sector can generate strong multiplier employment effects. Given that rising agricultural incomes will increase local demand for both food and non-food products, there is a high potential for employment growth in the off-farm sectors, in and outside the food system.
    - Agricultural productivity can be increased by farm diversification, as well as by making better use of fertilizers, pesticides, irrigation and other ‘modern’ technologies, together with broad improvements in infrastructure.
    - The priority sub-sectors are country specific and investments can be guided by 1) the profitability of agricultural products, 2) whether off-farm employment is an opportunity or a necessity, 3) the connections between lagging and leading regions, 4) the abundance of land, and 5) the nature of the skills deficit. Moreover:
        - Small-scale, simple processing of products such as grains, vegetables and fruits are more viable for youth than the more complex systems required for processing meat products.
        - Next to complexity, the level and consistency of local demand is also crucial. In many Sub-Saharan African countries, food staples still dominate the overall food system and, thus, will continue to be an important source of employment. However, employment effects in non-staple crop segments will likely be larger than in staple crop segments.
        - Despite being more complex, poultry (for egg production) and livestock (for milk production) have also been identified as viable value chains, as these are less seasonal than crops and fruits and local demand for such foods is growing.
    - Farming models matter for employment creation. Commercial farming and contract farming promote most local economic linkages, generating indirect employment, while plantations and estates create more direct jobs
- Investing in the productivity of **informal household enterprises** is crucial. In particular:
    - A first step would be to develop national strategies that recognize household enterprises and give household entrepreneurs a voice in the development of the sector.
    - It is important to recognize the diversity of enterprises in this sector and focus formalization efforts on the larger enterprises that resemble the formal sector.
    - Basic education, on-the-job skills training, and access to finance can increase the productivity of household enterprises.
    - In the household enterprise sector, ‘on-the-job’ learning often takes place in informal apprenticeships. The accreditation of such learning leads to the recognition of skills levels, but is complex in practice. The engagement of informal workers’ associations is important.
    - Providing training vouchers to firms (for selected training institutes) increases the participation of informal small- and medium-sized enterprises.
    - Smaller enterprises can benefit from urban and rural policies that provide workspace for household enterprises, including essential support services (water, electricity, security).
- Continued investment in **wage job creation in industry** is needed for structural transformation. Significant employment effects can only be expected in the long run. In particular:
    - Improving the business and investment climate will address the current government and market failures that constrain the sector.

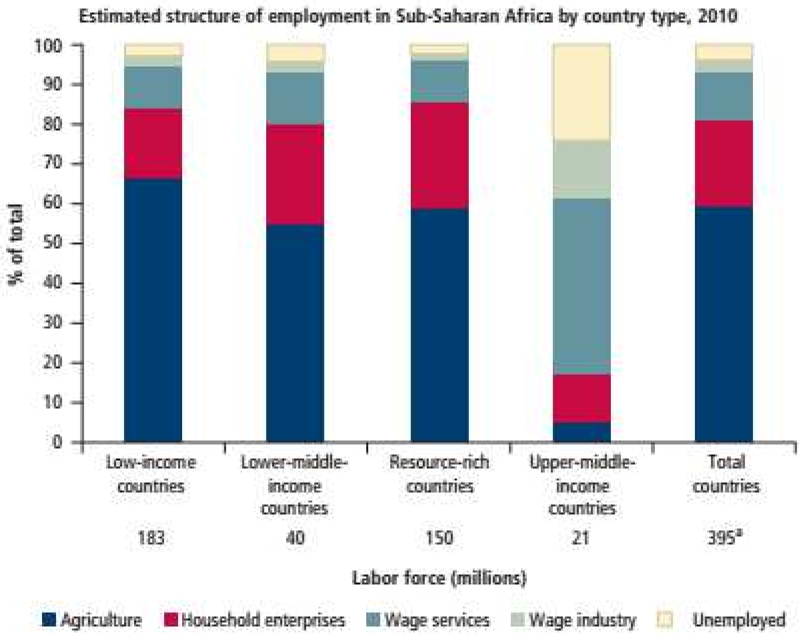
- Infrastructure investment (e.g. roads, rail, air, telecommunications) is essential for the efficient operation of enterprises.
- Complementary measures for job creation include the creation of special economic zones, such as export-processing zones (EPZs), which are industrial zones with special incentives (such as tax exemptions, regulation exemptions, and infrastructure incentives) to attract foreign and domestic investors.

- Wage jobs can also be created by the government in the **public sector** or through public works programmes.
- **ICT development** creates direct employment, both in the informal and formal economy. The scale of new jobs created is limited compared to the number of youth entering the labour market. The digital economy is creating a job for at best one in 50 young people. Moreover, these jobs tend to be at the low end of the spectrum. By significantly reducing transaction costs, ICT can be used to make agriculture and agribusiness more viable for employment generation and, thus, has a vital role to play in making the services sector more productive and, thereby, generating indirect employment.
- **Urbanization** and the rise of the middle class is increasing the demand for rural products and services. Yet, the rise of congested, low-productive mega-cities in Africa confirms the need to scrutinize the preferred type of urban development. Instead of mega-cities, the policy focus should be geared towards the **development of secondary towns**, which are important centres of demand for agricultural produce, and strengthening the connections between different segments of agricultural value chains.

<u>Specific roles for key actors in creating jobs for youth</u>

- **National governments** are primarily responsible for creating an enabling business and investment environment and developing and implementing national strategies for youth employment, including regulation for affirmative action. Governments coordinate the policies and programmes of different development partners (in public-private-donor partnerships) and are key actors in generating the political will to actually implement the programmes and prevent political capture and corruption.
- The **private sector** creates most of the jobs for youth in Africa, especially in fragile countries and countries that lack domestic resources. The private sector has a key role to play by engaging in curriculum development for formal and informal training, so that youth develop the skills that the market needs. The private sector can also have an impact on the demand for youth employment by developing business operations that promote not only direct employment, but also ensure maximum embeddedness in the local economy (creating indirect employment in this way). Affirmative action to employ especially youth can be included in business models. Additionally, the private sector manages investment funds that can promote entrepreneurship development.
- **NGOs** often have a comparative advantage, as they are working at the community level with youth and small and medium enterprises. NGOs provide multiple services and support networks that increase employment opportunities and help youth to access them. Training authorities can for example engage informal employers or employer associations to extend the certification of skills to skills acquired during informal training
- **Donors** can support and fund (in public-private-donor partnerships) skills training and mentoring programmes for different types of youth, as well as programmes aimed at enhancing productivity in agriculture (for example, through technology innovations and the development of value chains), the off-farm food system, and household enterprises. Furthermore, donors, and other international actors, can be helpful in encouraging and supporting farmers' organizations, unions, resource hubs and community-based organizations.
- Development banks and other (international) **financial institutions** have an important role to play in developing youth employment strategies and supporting and funding programmes aimed at enhancing productivity in agriculture, the off-farm food system, and household enterprises, as well as long-term investments in industrial development.
- National and international **knowledge institutes** play a vital role in providing governments and development partners with proper diagnoses of youth un- and underemployment challenges and the effectiveness and impact of youth employment programmes and interventions.

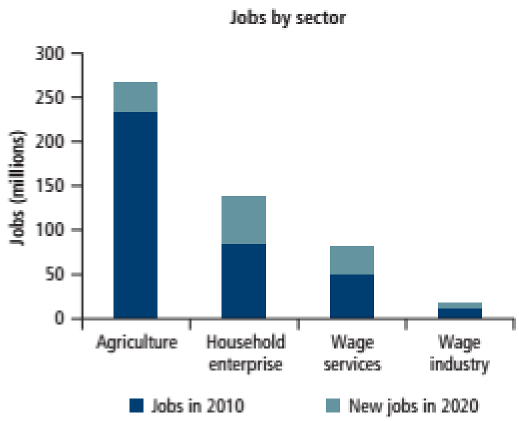
Figure 1. Where do Africans work (2010)



Source: Fox et al. 2013.
Note: On the horizontal axis, numbers show size of the labor force, ages 15–64, in each group. Resource-rich countries included are Angola, Chad, the Democratic Republic of Congo, Guinea, Nigeria, the Republic of Congo, Sudan and Republic of South Sudan, and Zambia.
a. Numbers do not add to total because of rounding.

Source: Filmer & Fox (2014), 5

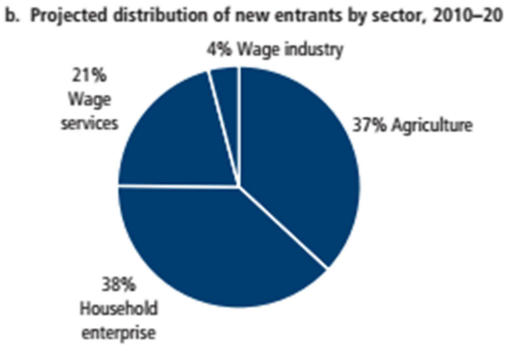
Figure 2. Where will jobs be created in 2020



Source: Fox et al. 2013.
Note: The projected number of new jobs added by 2020 will be 125 million.

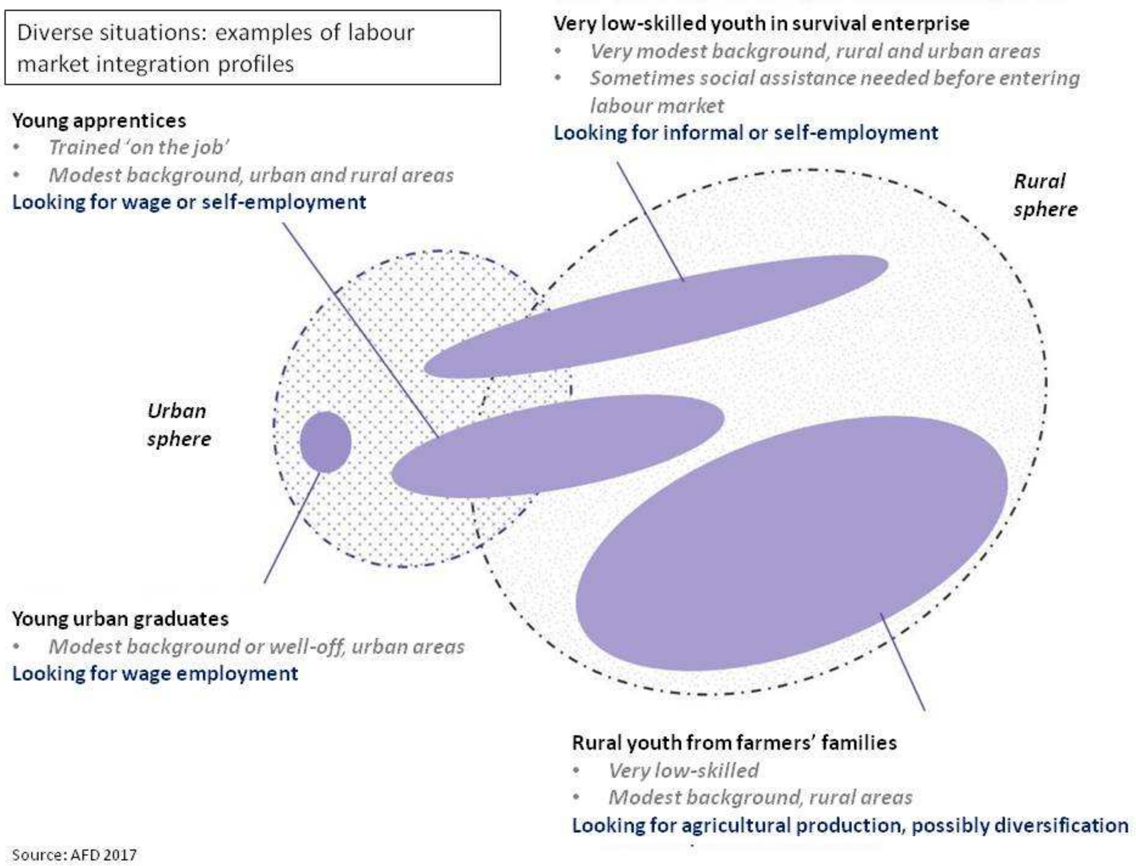
Source: Filmer & Fox (2014), 6

Figure 3. Where will new entrants work, 2010-2020



Source: Filmer & Fox (2014), 39

Figure 4. Four groups of youth in Sub-Saharan Africa



Source: AFD (2017), 60

Table 1. Classification of Sub-Saharan African countries

Upper middle-income	Lower middle-income	Low-income	Resource-rich
Botswana, Gabon, Mauritius, Namibia, South Africa, Equatorial Guinea, Seychelles	Cape Verde, Cameroon, Còte d'Ivoire, Ghana, Kenya, Lesotho, Mauritania, Sao Tomé and Principe, Swaziland	Benin, Burkina Faso, Burundi, Central African Republic, Comoros, Eritrea, Ethiopia, The Gambia, Guinea-Bissau, Liberia, Madagascar, Malawi, Mali, Mozambique, Niger, Rwanda, Senegal, Sierra Leone, Somalia, Tanzania, Togo, Uganda, Zimbabwe	Angola, Chad, Congo, Democratic Republic of the Congo, Guinea, Nigeria, Sudan, Zambia

Source: Fox & Thomas, 2016, p. i20 and World Bank 2017.

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