Growth Sectors, Youth and Employment: Challenges and Way Forward: A Synthesis Paper of Ethiopia, Mali and Nigeria Country Case Studies

Jacob Omolo

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Bringing Rigour and Evidence to Economic Policy Making in Africa

Growth Sectors, Youth and Employment: Challenges and Way Forward: A Synthesis Paper of Ethiopia, Mali and Nigeria Country Case Studies

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List of abbreviations and acronyms

AERC	African Economic Research Consortium
AfDB	African Development Bank
COVID-19	Corona Virus Disease 2019
ERF	Economic Research Forum
GDP	Gross Domestic Product
ICT	Information and Communications Technology
ILO	International Labour Organization
IMF	International Monetary Fund
ODI	Overseas Development Institute
PPP	Public-Private Partnerships
RCA	Revealed Comparative Advantage
SSA	Sub-Saharan African
TVET	Technical and Vocational Education and Training

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1. Study context

Sub-Saharan African (SSA) countries were posting relatively good economic growth rates pre-COVID-19. The region registered an average growth rate of 4.1% in 2010–2019 before registering a declined growth of 1.9% in 2020. Ethiopia maintained a strong growth rate of at least 7.7% in 2010–2019, averaging 9.6% over the period. Equally, Mozambique and Mali's average growth rates of 5.5% and 4.4% in 2010–2019 were above the SSA's average. Though Nigeria's real economic growth rate remained highly volatile, it managed an average of 3.8% in 2010–2019, which was marginally below the region's average. Despite the realized growth rates, SSA and her member countries continue to witness increased levels of unemployment, particularly for women and youth. Unemployment rate amongst the youth (15-35 years) in Mali was estimated at 20.2% in 2019, with young females bearing a higher burden (6.1%) compared to young males (4.9%). The youth (15-29 years) in Ethiopia bore unemployment rate of 14% in 2021, six percentage points above the national average. The unemployment rate of the female youth (29%) was almost double that of the male youth (16%). Youth (15-34 years) unemployment rate in Nigeria was estimated at 30% in 2018. Again, the female youth suffered higher rates of unemployment compared to male youth. Besides open unemployment, the youth also experience underemployment and vulnerable employment with regional, sectoral, gender, and age-based disparities.

Enhancing decent employment for young men and women is a key policy priority of all governments in SSA, including Ethiopia, Mali and Nigeria. While many policies, legal, institutional and programmatic interventions that seek to promote creation of employment opportunities for young men and women exist, youth employment challenge persists. Furthermore, while the countries premise employment creation on economic growth, the growth episodes in these countries have not been accompanied by commensurate growth in employment. A number of studies have been conducted on the trends and drivers of youth unemployment. However, there is limited robust evidence on the economic sectors that have the greatest potential to create jobs for the youth.

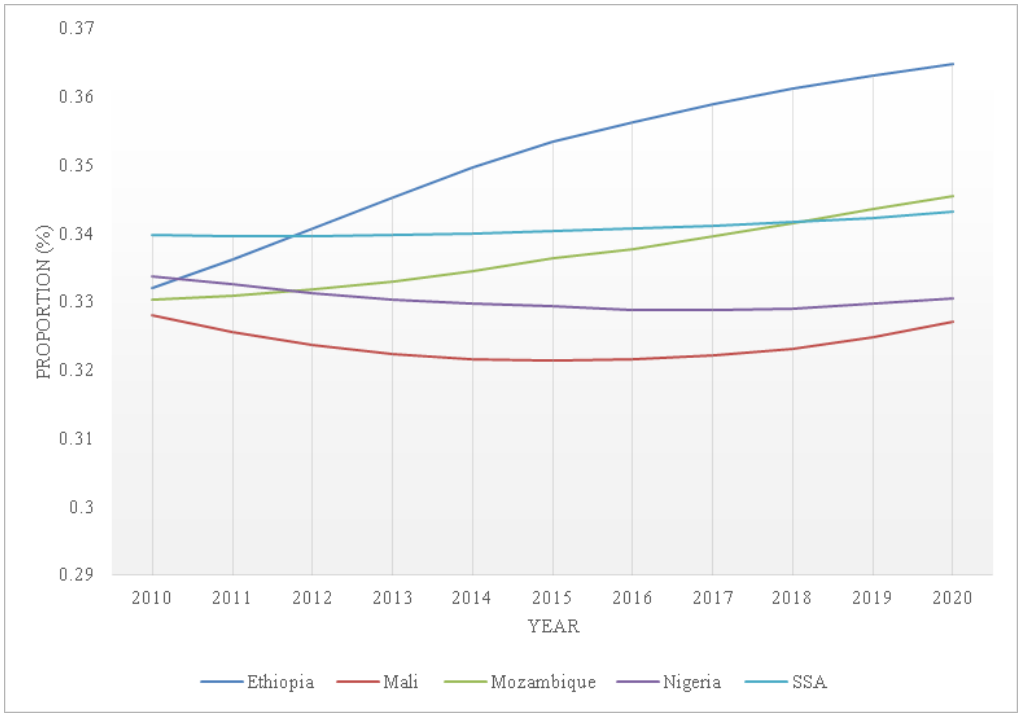
Following the identified research gap, the African Economic Research Consortium (AERC) in partnership with the Economic Research Forum (ERF) and Overseas Development Institute (ODI) commissioned collaborative studies in a number of countries. The researches focused on **"Income and work for young men and women**

in Africa: A political Economy and Social Equity Approach to the Employment Potential of Specific Sectors and Subsectors in African Economies". This Synthesis Paper draws from country-specific researches conducted in Ethiopia, Mali, and Nigeria[1]. Though a similar study was also conducted in Mozambique, the country's study report was not available for review. The broad objective of the country case studies was to identify the growth sectors, provide evidence on country-specific actors and conditions needed to support these sectors, and identify ways to promote equal access to the opportunities by all youth regardless of their gender, socioeconomic background, or geographical location.

2. Background

Sub-Saharan Africa (SSA)'s population was estimated at 1.1 billion in 2020 with an annual average growth rate of 2.6% (World Bank, 2022). The region accounts for 14.1% of the world's population and 13% of global labour force (International Labour Organization [ILO], 2022a). Females make up slightly more than half (50.1%) of the region's population, and about half (50.3%) of the working age population. The region had a youth (aged 15-34) population of 390 million in 2020, translating to 35% of the total population (Figure 1). Ethiopia had the highest proportion of youths aged 15-34, increasing from 33% of the country's population in 2010 to 36% in 2020. The share of the youth in total population in the other countries increased marginally by less than 1% in 2010–2020, with the proportions ranging between 33% and 35% in 2020.

Figure 1: Proportion of youth in total population, 2010-2020



Source: Author's construction using data from World Bank (2022).

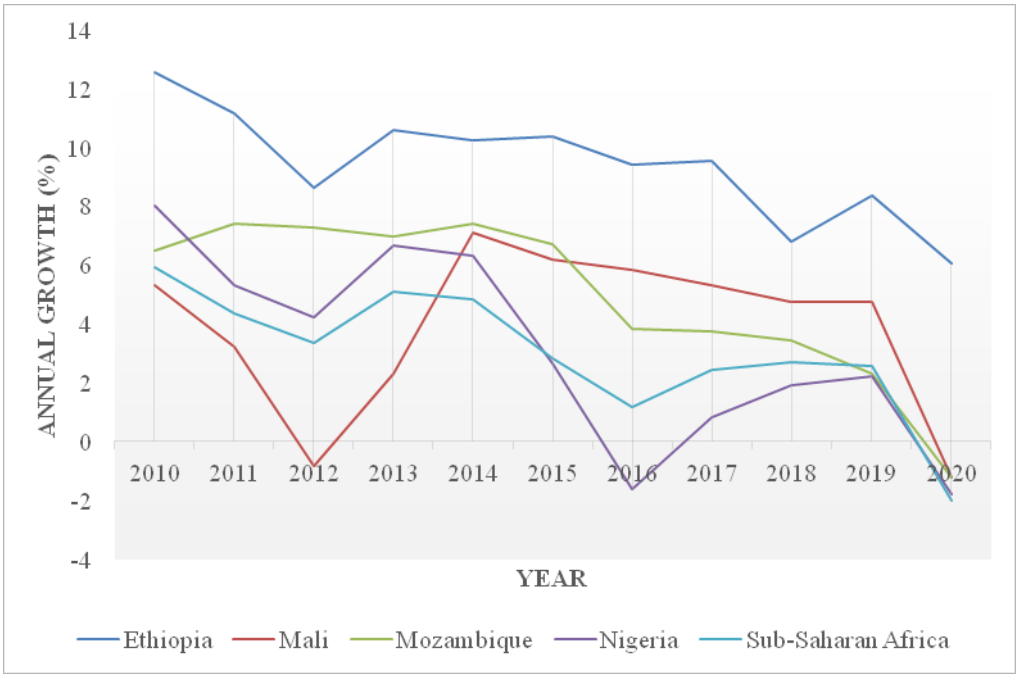
Sub-Saharan Africa's growth in real gross domestic product (GDP) oscillated between 1.5% and 7% in 2010–-2019 (Figure 2) with an annual average of 4.1%. The region's economy was projected to grow at 3.7% in 2021 and 3.8% in 2022 up from the 3.2% growth rate realized in 2019, and a COVID-19 induced decline in real GDP growth rate of 1.9% in 2020. Southern Africa sub-region was the hardest hit with a GDP contraction of 7% in 2020, followed by Central Africa (-2.1%) and West Africa (-0.7%). East Africa's economy was the least affected by COVID-19, maintaining a positive economic growth rate of 0.6% in 2020 (ILO, 2022b).

Ethiopia's economy exhibited a relatively stronger standing, posting an average real GDP growth rate of 9.6% in 2010–2019. The country's economy weathered the COVID-19 pandemic to grow by 6.1% in 2020. The impressive economic performance by Ethiopia could be attributed to a steady increase in public investment from about 5% of GDP in 1992 to 16% in 2014 (Shiferaw, 2017). Ethiopia's real GDP was projected to grow by 2% in 2021 with a further rebound to 8.7% in 2022 (International Monetary Fund [IMF], 2021).

Mali promises better prospects in real GDP growth compared to Nigeria and Mozambique in 2021 and 2022, though it had a relatively subdued average real GDP growth rate (4.4%) in 2010–2019 compared to Mozambique (5.5%). Mali's economy grew by 4.8% in 2019 but contracted by 2% in 2020 due to COVID-19. This is relative to Nigeria's 2.2% growth in 2019 and a 1.8% slump in 2020, and Mozambique's 2.3% growth in 2019 and a 0.5% decline in 2020. Mali's real GDP was expected to grow by 4% in 2021 and by 6% in 2022, while Nigeria's real GDP was projected to grow by 2.5% and 2.3% in 2021 and 2022, respectively. Mozambique's economy was projected to grow by 2.1% in 2021 and to more than double the rate of growth to 4.7% in 2022 (IMF, 2021). The slowdown in Nigeria's economic growth was largely attributed to the decline in oil prices following work stoppages and travel restrictions imposed by countries due to COVID-19. Overall, decline in the performance of the economies is pointer to declining productive capacities of the countries, thereby increasing the output gap with subsequent increase in unemployment. This directly affects women and youth who are more vulnerable to losses in employment, income, and livelihoods.

In contrast with most other regions, SSA's labour force continued to grow even in 2020, driven by population growth (ILO 2022). The region's labour force aged 15+ increased from 325.3 million (47.1% female) in 2010 to 418.3 million (46.7% female) in 2020, representing an annual average growth rate of 2.6%. Notably, the region's labour force increased by 0.5% from 416 million in 2019 to 418 million in 2020. The labour force is projected to have jumped to 435 million in 2021 and 451 million in 2022, reflecting a growth rate of 4% and 3.7% in 2021 and 2022, respectively (ILO 2022). Of the case study countries, Nigeria had the largest labour force in 2020, at 15% of the SSA's labour force, followed by Ethiopia (12.8%), Mozambique (3.3%) and Mali (1.8%). In respect to own labour force (15+), Mozambique had the highest proportion of female labour force at 52.3%, followed by Ethiopia (46.2%), Nigeria (43.9%), and Mali (42.6%). The youth (aged 15-24) labour force accounted for 32% of the total labour force in Mali in 2020, 30.8% in Ethiopia, 28.8% in Mozambique, and 19.4% in Nigeria.

Figure 2: Annual real GDP growth rate

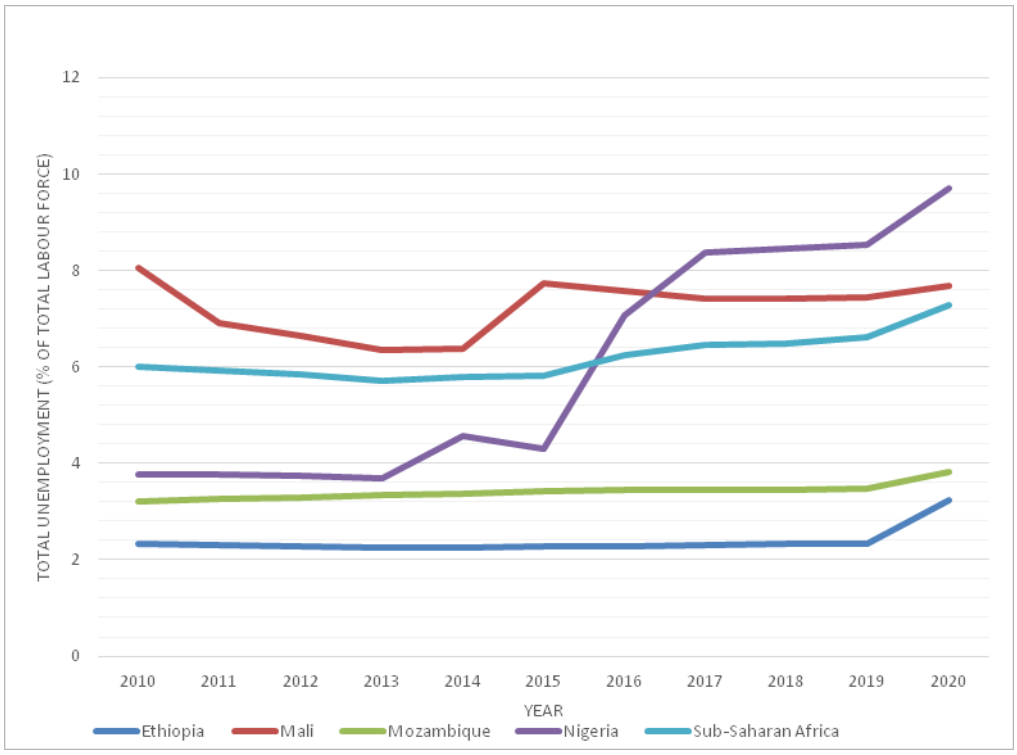


Source: Author's construction using data from World Bank (2022).

With subdued levels of economic and employment growth, the rapid growth of labour force in SSA and case study countries meant that the new labour market entrants transited to unemployment or to low-productivity work, while the workers displaced by COVID-19 also transited to unemployment, lower-productivity work or exited the labour force altogether. The countervailing effects resulted in a net decline in employment and an increase in unemployment. The ILO (2022) estimated that net employment in SSA declined by one million, and unemployment increased by 2.8 million people between 2019 and 2020. Women and youth accounted for the largest share of the net job losses in the region, partly because of their over-representation in informal and vulnerable employment. Nigeria had the highest unemployment rate of 9.7% in 2020 (Figure 3), followed by Mali (7.7%), Mozambique (3.8%), and Ethiopia (3.2%). This was against the SSA average of 7.3%. Unemployment rates in the case study countries is estimated to have increased in 2021 as employment growth fell short of the labour force growth, the latter driven by both new entrants and re-entrants into the labour market.

The youth are an important resource for innovation and creativity in any society. The African Development Bank (AfDB) maintains that if properly harnessed, the increase in youth labour force could support increased productivity and stronger, more inclusive economic growth across the region. The greatest challenge in SSA is generation of employment opportunities for the rising youthful population. It is estimated that of the region's youth aged 15-35, one-third are unemployed and discouraged, a third are vulnerably employed, and only one in six (16.7%) is in wage employment.

Figure 3: Trends in unemployment rates, 2010-2020 (%)



Source: Author's construction using data from World Bank (2022).

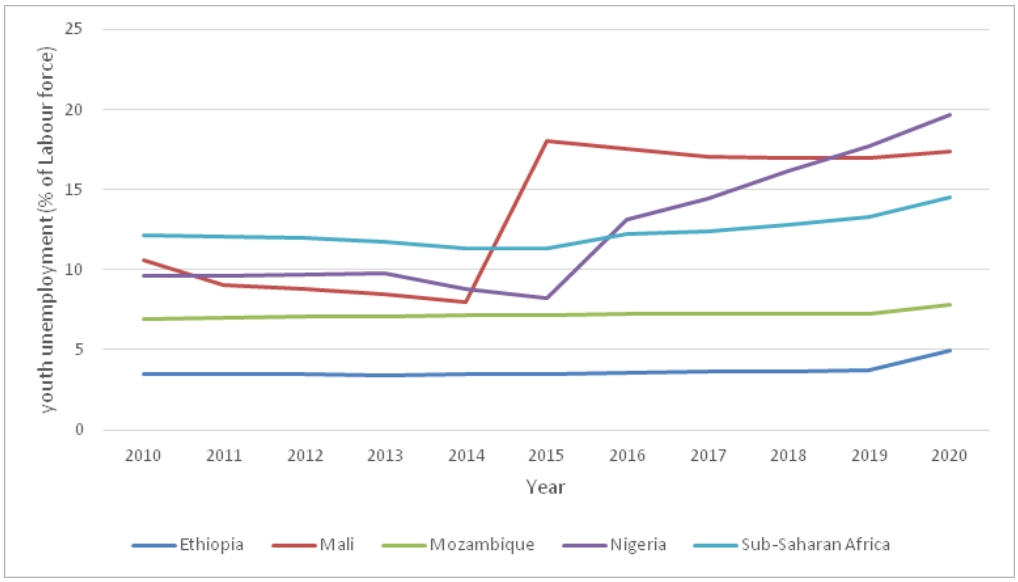
Figure 4 compares the trends in youth unemployment in SSA and the four case study countries. It depicts that youth unemployment rates for the individual case study countries is higher than the overall unemployment rates for the region, implying that the youth in the four countries are more vulnerable to unemployment. Increase in youth unemployment in SSA is largely attributed to constrained capacity of the region to create jobs, and the lack of relevant skills which excludes youth from productive economic activities (Hilson & Osei, 2014).

Nigeria recorded the highest increase in youth unemployment, rising from 9.6% in 2010 to 19.7% in 2020 (Figure 4). Youth unemployment rate in Ethiopia was relatively low, marginally increasing from 3.5% in 2010 to 4.9% in 2020. While the low youth unemployment rate in Ethiopia is attributed to the country's emphasis on agricultural sector as the main driver of economic growth (Broussard & Tekleselassie, 2012), Nigeria's youth employment challenge is driven by several factors.

Many studies (Omolo & Anyidoho, 2017) suggest that Nigeria's economic growth is not producing enough jobs to absorb new entrants into the labour market. The situation is compounded by rapid increase in population growth, which has produced an overwhelming increase in the young population and a rapid growth of labour that outstrips the supply of jobs. Another factor is the mismatch between skills produced at institutions of higher learning and the requirements of the industry. Many

analysts (Akande, 2014; AfDB et al., 2012; Oluyomi & Adedeji, 2012;) suggest that the curriculum in institutions of higher learning in Nigeria does not equip the graduates with employable skills that match the needs and demands of employers. According to the studies, Nigeria's curricula and training programmes have generally been tailored towards preparing young people for formal jobs. Many graduates in Nigeria, therefore, lack entrepreneurial skills to facilitate self-employment. Increasingly, there has been strong recognition among policy makers in Nigeria that absence of artisanal and vocational skills has been responsible for youth unemployment. Oladunjoye and Audu (2014) also argue that development of information and communications technology (ICT) portend a great potential for promoting youth employment in Nigeria.

Figure 4: Trends in youth unemployment rates, 2010-2020



Source: Author's construction using data from World Bank (2022).

3. Synopsis of findings

The main objective of the country case studies was to identify the growth sectors for creation of employment opportunities for men and women, provide evidence on country-specific actors and conditions needed to support these sectors, and identify ways to promote equal access to the opportunities by all youth regardless of their gender, socioeconomic background, or geographical location. The case studies employed a mixed methods research design that involved use of secondary data, cross-sectional data, and qualitative interviews. The analytical techniques used included descriptive analysis, content analysis, decomposition analysis, and social accounting matrix multiplier analysis. Other approaches were time-series and logistical regression techniques, revealed comparative advantage (RCA) analysis, and computation of export diversification and concentration indices. The following are the highlights of the findings from the case studies.

Growth sectors for employment creation

The Ethiopia case study established that agriculture's contribution to employment has either been declining or constant over time. According to the study, there is mismatch between GDP growth and employment growth in non-agricultural sectors in the country. The major source of growth in industrial sector was found to be construction (73.2%), manufacturing (23.8%), utilities (1.8%) and mining (1.2%). In contrast, employment growth in the industrial sector mainly came from manufacturing (71.6%), construction (20.1%), mining (3.2%), and utilities (1.4%).

The main source of economic growth in the services sector were trade services (47.4%), government services (17.6%), transport services (10.2%), financial services (8.4%), real estate (8.1%), business services (4.8%), and others (3.4%). However, employment growth in the services sector was mainly attributed to other non-classified sub-sectors in the services sector (51.5%), trade services (27.7%), government services (10%), transport services (4.6%), financial services (2%), real estate (0.1%), and business services (4.4%).

The findings have important implications for policy. It shows that the sectoral contribution to economic growth is not matched with employment growth. The relatively high contribution of manufacturing (71.6%) to employment growth in Ethiopia, in contrast to construction sub-sector's subdued contribution of 20.1%,

points to the capital-intensive nature of construction in Ethiopia, and relative labour-intensive nature of manufacturing. It can be argued further that, though the construction sector is perceived to absorb a large number of workers, particularly the youth, the workers are engaged in low level jobs with low earnings.

The mismatch between sectoral contribution to economic growth and employment growth in Ethiopia reveals low employment elasticity. This is particularly evident in construction (0.27) sub-sector in the industrial sector; and transport services (0.45), financial services (0.24), and real estate (0.01) sub-sectors in the services sector. Favourable employment elasticities in the industrial sector in Ethiopia are seen in utilities sub-sector (0.78); and in trade (0.58), government services (0.57) and business services (0.92) in the services sector. Employment elasticity is relatively high in manufacturing (3.01) and mining (2.67) sub-sectors in the industrial sector; and "others" sub-sector (15.15) in services sector. The reported high employment elasticities (>1) implies that employment growth in mining, manufacturing, and "other services" is at the expense of productivity, which brings into question the sustainability of the jobs created. It also brings into focus the competitiveness of the sub-sectors to promote creation of durable and productive employment opportunities, particularly for the women and youth.

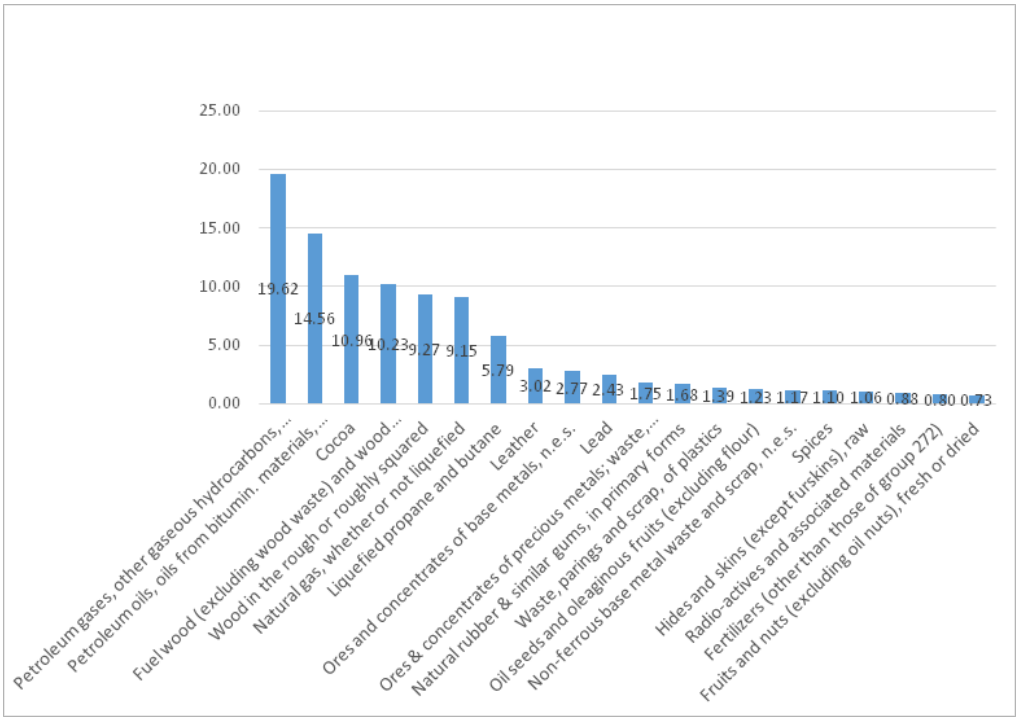
The sectors that make the greatest contribution to economic growth in Mali are the primary sector[2] (40.7%), tertiary sector[3] (38.7%), and secondary sector[4] (20.8%). According to the study, the sub-sectors with the greatest potential for employment creation in Mali are agriculture (51%), trade (44%), and transport and warehousing (4.3%). Trade and agriculture also promise majority of jobs for women with a proportion of 54.1% and 46.7%, respectively. The insertions for youth are in agriculture (52.3%), trade (42.4%), and transport and warehousing (3.9%) sub-sectors. Though trade and agriculture appear to have high employment creation potential for women and youth, the sub-sectors are low in labour productivity. According to the study, labour productivity is higher in information and communication; financial and insurance services; production attributed to banking services; and water and distribution services; but low in agriculture and mining.

Employment creation potential was found to be low in mining (1.9%), hotels and restaurants (1.5%), and electricity and gas (1.4%) sub-sectors. The listed sub-sectors also exhibited minimal absorptive capacity for the youth, at 2.3% for mining, 1.8% for electricity and gas, and 1.5% for hotels and restaurants, further demonstrating the constrained employment growth in the sub-sectors. As was in the case of Ethiopia, the construction sub-sector in Mali had the least proportion (0.8%) of the jobs for the youth, signifying the capital-intensive nature of the economic activity. Overall, negative employment creation potential for women and youth was found in public administration (1.1%), information and communication (0.17%), and financial and insurance services (1.45%). This means that the three sub-sectors are discharging more labour than they are admitting. It is not clear, however, if the sub-sectors have reached saturation points or if they are just experiencing structural rigidities. It is most probable that employment growth in the sub-sectors is constrained by structural rigidities.

Analysis of economic sectors with high youth employment creation potential in Nigeria showed that the construction sector experienced the highest employment growth of 40.9% in 2018. This was followed by mining (30.5%), manufacturing (24%), agriculture (14.3%), and real estate (0.5%). Agriculture was found to have potential to reduce youth unemployment given its high employment creation capacity, while the services and trade sectors were highest and second highest employer of youths, respectively.

The study also established that Nigeria has an RCA, which is greater than one (>1) in 17 of the 205 products that it exports (Figure 5). The products include cocoa, fuel wood, oil seed, fruits and nuts, spices ores, natural rubber, lead, and manufactured goods such as different types of leather. This signifies the potential of the sectors and sub-sectors creating jobs, particularly for women and youth.

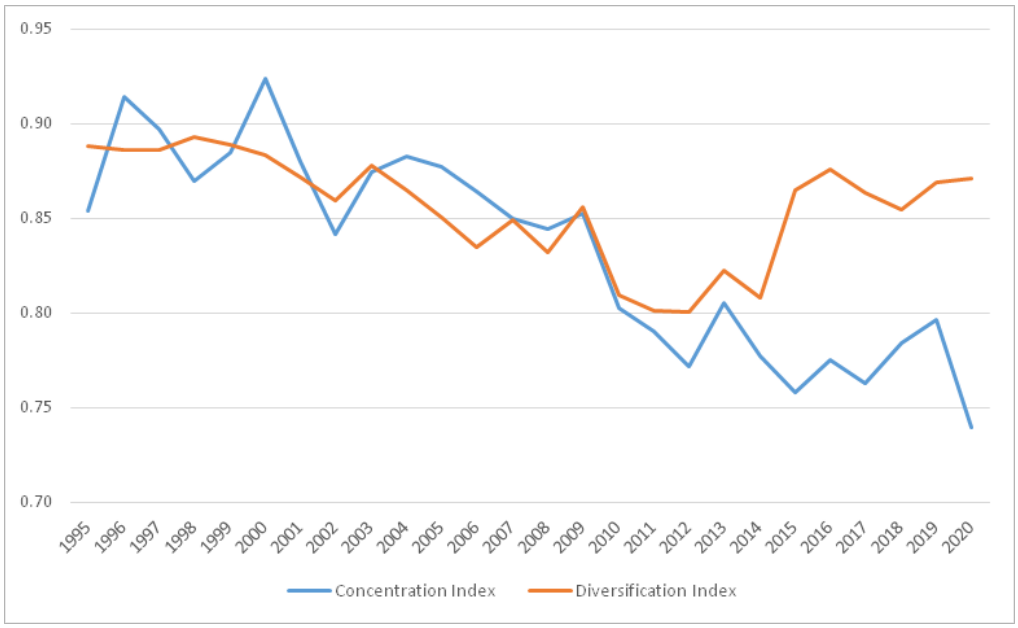
Figure 5: Nigeria's RCA by products, 2019



Source: Edewor and Kollie (2022).

The study also established that Nigeria's rate of diversification and product concentration is at least 0.7 but less than 1 (Figure 6). This implies that Nigeria's export products are not diversified but concentrated on one main product. Thus, despite the country exporting 205 products in 2020, the export products mainly comprised oil and gas. Based on the estimation, petroleum products have a concentration index of 0.76, implying that almost all of Nigeria's exports comprise petroleum products.

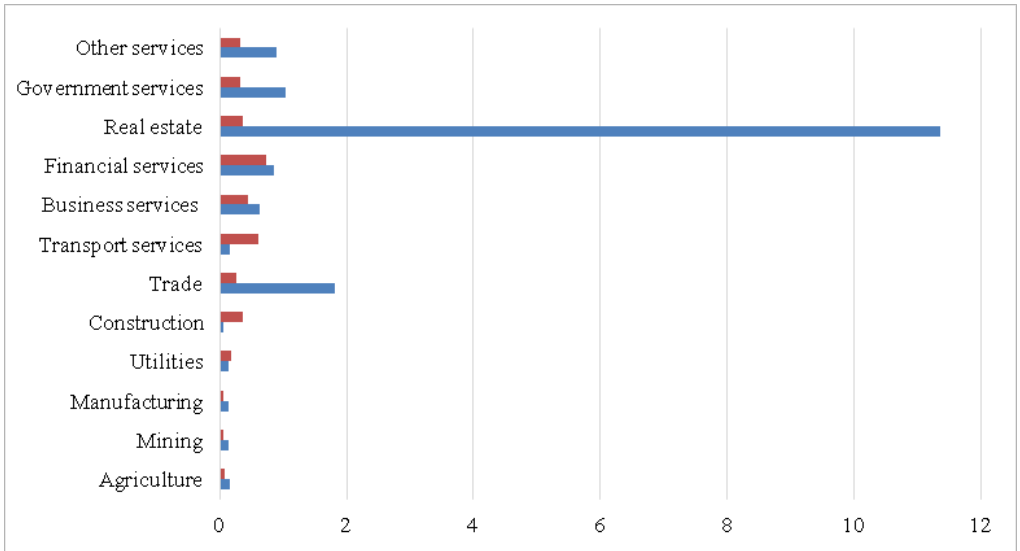
Figure 6: Diversification and concentration indices for Nigeria's merchandise exports



Source: Edewor and Kollie (2022).

The Nigeria country case study analysed the economic sectors with high youth employment potential by generating arc and point employment elasticities using descriptive method and double log estimation approach, respectively. The arc employment elasticity reveals employment change due to economic growth occurring between two years, while point elasticity measures the percentage change in employment due to infinitesimally small changes in GDP. Both approaches yielded positive employment elasticities for all the 12 sectors (Figure 7). Arc elasticity was found to be relatively high in real estate (11.36), trade (1.807), government services (1.029), other services (0.891, financial services (0.860), and business services (0.624). Point elasticity was relatively high in financial services (0.734), transport services (0.602), business services (0.452), construction (0.360), and other services (0.332). The implication is that the sub-sectors in the service, sector, namely real estate, financial services, business services, government services, and other services have a higher potential for employment creation in Nigeria. The employment creation potential is low in construction, agriculture, mining, and manufacturing sectors.

Figure 7: Distribution of arc and point employment elasticities by sector

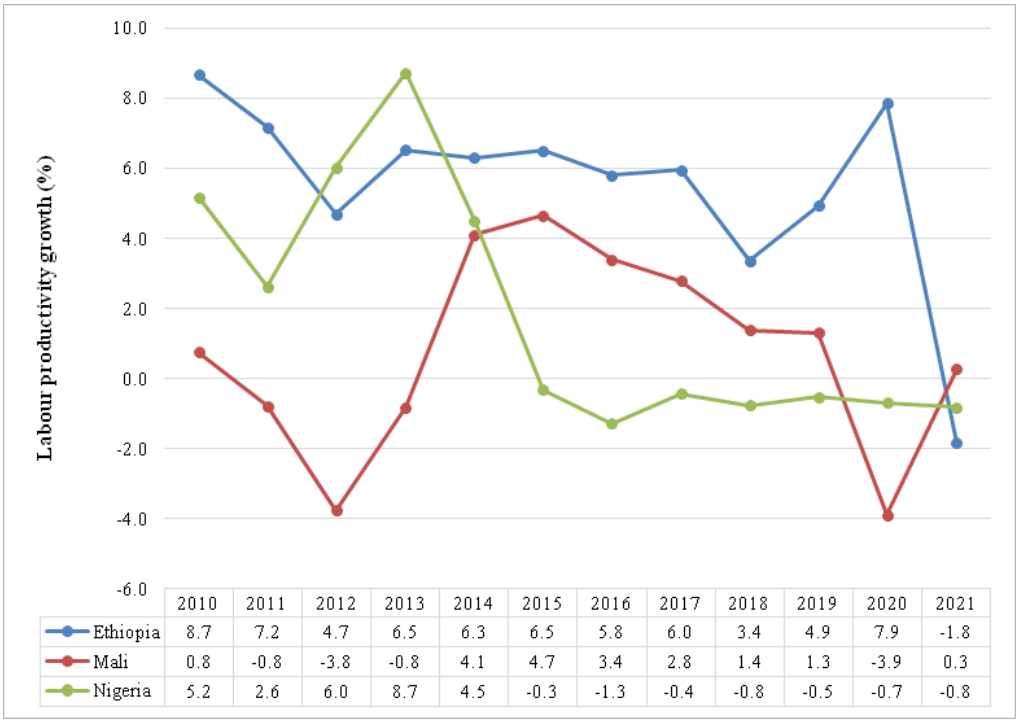


	Agriculture	Mining	Manufacturing	Utilities	Construction	Trade	Transport services	Business services	Financial services	Real estate	Government services	Other services
Point elasticity	0.08	0.057	0.056	0.176	0.364	0.252	0.602	0.452	0.734	0.359	0.327	0.332
Arc elasticity	0.163	0.144	0.137	0.141	0.05	1.807	0.154	0.624	0.86	11.36	1.029	0.891

Source: Author's construction using data from Edewor and Kollie (2022).

The three case studies have shown weak association between GDP growth and employment creation for many sectors and sub-sectors in the case study countries. This implies existence of jobless growth amidst growth-oriented employment strategies pursued in the countries. The low employment growth may be attributed to heavy reliance on resource exports, with limited linkages across other more labour-intensive economic sectors. Employment elasticities in the three countries have been far higher in services than in industry or agriculture. Moreover, the very high employment elasticities above 1, such as those computed for other services (15.15), manufacturing (3.01), and mining (2.67) in Ethiopia, and real estate (11.36), trade (1.807) and government services (1.029) in Nigeria, point to a decline in labour productivity. The implication is that much of the employment creation in these sectors and sub-sectors are low in productivity, thus undermining competitiveness and sustainability of the jobs. The low productivity trap, which constrains creation of productive and durable employment opportunities in the countries, is manifested in a highly volatile and negative annual growth rates in labour productivity over the period 2010–2021 (Figure 8).

Figure 8: Annual growth rates of labour productivity (%)



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Ethiopia	8.7	7.2	4.7	6.5	6.3	6.5	5.8	6.0	3.4	4.9	7.9	-1.8
Mali	0.8	-0.8	-3.8	-0.8	4.1	4.7	3.4	2.8	1.4	1.3	-3.9	0.3
Nigeria	5.2	2.6	6.0	8.7	4.5	-0.3	-1.3	-0.4	-0.8	-0.5	-0.7	-0.8

Source: Author's construction using data from ILO modelled estimates (Nov. 2021), ILOSTAT.

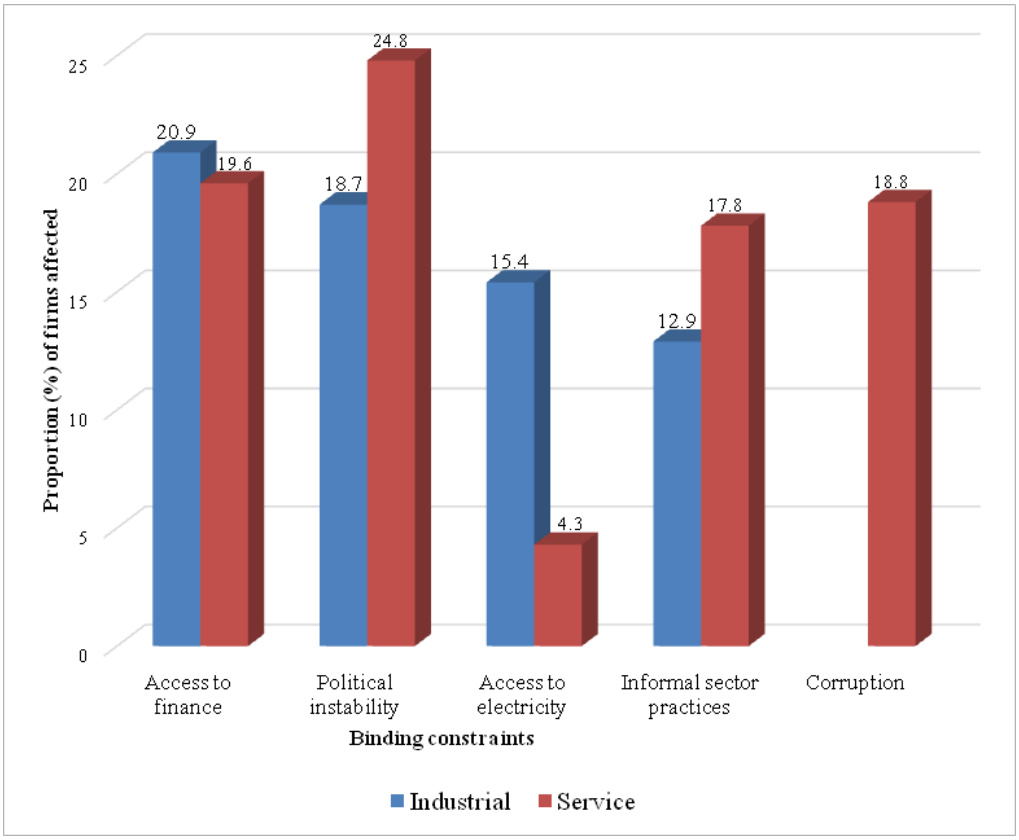
Conditions needed to support employment creation in the identified sectors

The Nigeria country case study identified economic and political constraints to developing youth employment growth sectors in the country using the 2014 Enterprise Survey data, and qualitative data obtained through key informant interviews. The key constraints to growth and employment creation identified by the surveyed firms include access to finance (30.2%), electricity (27.2%), corruption (12.7%) and high taxation (5.9%). Other hindrances are poor transportation (5.7%), political instability (4.3%), inhibitive labour regulations (1.1%), difficulties in obtaining business licenses and permits (0.7%), and inadequately educated workforce (0.4%).

In Mali, access to finance (20.9%), political instability (18.7%), access to electricity (15.4%), and practices in the informal sector (12.9%) are some of the binding growth and employment constraints faced by firms in the industrial sector. The same constraints were identified by firms in the services sector but with variation in the proportion of firms listing them as constraints. Majority (24.8%) of the firms in the services sector identified political instability as a key constraint to growth and employment creation in Mali. This was followed by access to finance (19.6%), corruption (18.8%), practices in the informal sector (17.8%), and access to electricity (4.3%).

Analysis of binding constraints in promoting economic growth and employment in Mali shows variations in the proportion of firms affected by the specific hindrances across sectors (Figure 9). While the proportion of firms in industrial and services sectors affected by access to finance is almost equal, more firms in the services sector identify political instability, informal sector practices and corruption as key hindrances. Access to electricity appears not to be much of an impediment in the services sector in Mali, but about 3.6 times the number of firms in the industrial sector identifies it as a key constraint. Corruption also appears widespread and a major inhibition to employment growth in the services sector, but this constraint is not highly rated by firms in the industrial sector. Based on the analysis, any interventions aimed at addressing the binding constraints and challenges must recognize the unique needs and variations in the sectors.

Figure 9: Binding constraints to employment growth in Mali



Source: Author's construction using data from Ousmane and Sountoura (2022).

Nigeria's case study identified inadequately educated workforce as one of the binding constraints to employment of women and youth, while Ethiopia's study decried ineffectiveness of expansion of technical and vocational education and training (TVET) in addressing youth unemployment in the country. Though Mali's

case study did not specifically highlight this, absence of skills and skills mismatch are important challenges in many SSA countries (Omolo & Anyidoho, 2017).

The World Bank (2013) reported that, in a survey among experts in 36 African countries about the major challenges that young people face in labour markets, 54% identified mismatch of skills between what job seekers have to offer and what employers require as a major obstacle. Another 21.8% of the firms reported inadequately educated workforce as a major constraint in their businesses.

The ILO (2020)[5] reinforces that in 2013, 74% of the workers in Ethiopia were under-educated for their jobs while 5% of the workers were holding jobs for which they were over-educated. Similarly, in 2016, 89% of the workers in Mali were under-educated for their jobs and 1% of the workers were over-educated for their jobs. The implication is that, only 10% and 21% of the workers in Mali and Ethiopia, respectively, had educational levels that matched their jobs. Skills mismatch leave young graduates ill-equipped for the school-to-work transition.

Beyond skills, weak framework for career guidance is a major weakness of educational systems. Career guidance systems ideally should encompass the provision of: reliable labour market information, including job opportunities and entry-level skill requirements in one's area of interest; job placement; and opportunities to network with role models, mentors and other professionals. Lack of information on the skills needed in the labour market and career prospects in different areas means that young people are not able to make informed career choices. Training institutions are also not able to design and offer a demand-driven curriculum.

Employers value work experience and, in most cases, prefer to recruit people who are employed or have been out of work for a short period of time. This greatly affects young labour market participants who lack opportunities for work experience through internships, attachments, apprenticeships, volunteer positions, and student vacation jobs. The young people are, therefore, caught in a double bind where they have no work experience to show in their job applications because they have been unable to get a job in the first place.

Omolo and Anyidoho (2017) also identified that, besides demand constraints and gaps in technical skills, *individual factors* may also inhibit women and youth from accessing employment opportunities. The authors reported that a survey of captains of industry in Kenya revealed that employers consider young people to lack in soft skills such as public relations, interpersonal skills, communication skills, respect for authority, time management, and team spirit. The youth were also regarded to lack in loyalty and commitment to work, are mostly averse to conventional dress code, lack focus, and often spend a lot of time on social media at the expense of work. According to the captains of industry, the youth are driven more by personal rather than organizational growth. They are also perceived to be short-tempered and quick to take advantage of lapses in managerial guidelines and control. Most of the employed youth were said not to be patient to stay in a job long enough to gain the requisite experience. They were also regarded as being restless and often quit employment without giving due notice.

Information constraints such as lack of networking and poor signalling are also important employment challenge that affects employability of women and youth in SSA (Omolo & Anyidoho, 2017). One type of the information constraint refers to women and youth who are not able to signal their skills to prospective employers, either because they lack the necessary knowledge and experience and/or because the value of the qualifications they hold cannot be objectively assessed.

Other types of constraints relate to the lack of social network or contacts and/or information about job offers. Cunningham et al. (2010) note that employers mainly use informal networks such as family, friends, and current employees to find new workers. According to the authors, these sources provide good information about new employees, which is particularly important in labour markets with high firing costs. However, the youth who are new entrants into the labour market generally lack these networks, including effective signalling skills, thus limiting their employment options. Lack of self-confidence, and social networks and relations were identified in the Mali case study as an important social barrier that constraint youth employment in the country.

Other than skills and behavioural factors, women and youth have to contend with the challenges brought about by the future of work. The world of work is fast changing, and both jobs and skills landscape continue to be disrupted by changes in the world of work mainly through automation, digitalization and other technological advances. Consequently, new job types are emerging and skills that are considered important in performing specific job functions are also changing. The implication is that the workforce is expected to experience significant churning between job families and functions, and creation of new jobs.

The World Economic Forum (2020) projects that, by 2025, increasingly redundant roles will decline from 15.4% of the workforce to 9%, implying a 6.4% decline. The emerging professions are estimated to grow from 7.8% to 13.5%. It is estimated further that 40% of workers will require reskilling of at most six months, and other employees are expected to learn new skills on the job (World Economic Forum, 2020).

4. Policy messages

The following are some of the policy messages from the three case studies.

Ethiopia

i. Agricultural sector in general and animal farming in particular are sectors with significant potential for employment of women and youth in Ethiopia.

ii. Agricultural, manufacturing, and service sectors in Ethiopia face binding constraints, thus inhibiting their growth and youth employment creation potential.

iii. Industrial and services sectors face structural constraints, which undermine their productivity and capacity to create jobs.

iv. Manufacturing sector has potential for promoting employment creation and structural transformation.

v. The high employment elasticities (>1) computed for other services, manufacturing, and mining in Ethiopia implies that much of the employment creation in these sectors and sub-sectors are low in productivity, thus undermining competitiveness and sustainability of the jobs.

vi. Low productivity trap in key sectors in Ethiopia constrains creation of productive and durable employment opportunities in the country.

vii. There are a number of binding constraints, which inhibit economic growth and employment creation in Ethiopia.

viii. Other than inadequacy of technical skills, individual factors may also inhibit women and youth from accessing employment opportunities.

ix. Weak framework for career guidance and counselling undermines the ability of women and youth to make informed career choices.

x. Skills mismatch leave young graduates ill-equipped for the school-to-work transition.

xi. Workers will require reskilling and work-based learning to align to the skill demands for the future of work.

Mali

i. There are disparities between men and women in access to employment opportunities in all sectors of Mali's economy but with intensity in 14 of 21 sectors.

ii. Disparities in access to jobs by the youth in different age cohorts and gender are evident in 7 of 21 sectors.

iii. Inequalities suffered by women in accessing jobs are acute in the industrial sector.

iv. Young females suffer more inequality in access to jobs than young males.

v. Effectiveness of youth employment policies could benefit from implementation of programmes and investments based on priority ranking of employment-rich sectors.

vi. Policies to promote equal access to employment opportunities by women and youth should be targeted towards youth, women, illiterate, and those in urban areas.

vii. Low productivity trap in key sectors in Mali constrains creation of productive and durable employment opportunities in the country.

viii. There are a number of binding constraints, which inhibit economic growth and employment creation in Mali.

ix. Other than inadequacy of technical skills, individual factors may also inhibit women and youth from accessing employment opportunities.

x. Skills mismatch leave young graduates ill-equipped for the school-to-work transition.

xi. Workers will require reskilling and work-based learning to align to the skill demands for the future of work.

Nigeria

i. Youth unemployment is on the rise in Nigeria.

ii. Nigeria has untapped potentials in cashew nuts, cocoa, and sesame seeds.

iii. All the 12 sectors in Nigeria's economy have potential for employment creation, with the greatest capacity being the financial services sector.

iv. The high employment elasticities (>1) in real estate, trade, and government services in Nigeria implies that much of the employment creation in these sectors and sub-sectors are low in productivity, thus undermining competitiveness and sustainability of the jobs.

v. Low productivity trap in key sectors in Nigeria constrains creation of productive and durable employment opportunities in the country.

vi. There are a number of binding constraints, which inhibit economic growth and employment creation in Nigeria.

vii. Increased access to finance, improved infrastructure, and political stability are conditions necessary for investments, economic growth, and employment creation in Nigeria.

viii. Other than inadequacy of technical skills, individual factors may also inhibit women and youth from accessing employment opportunities.

ix. Skills mismatch leave young graduates ill-equipped for the school-to-work transition.

x. Workers will require reskilling and work-based learning to align to the skill demands for the future of work.

5. Policy alternatives

A number of conditions are, thus, needed to create an enabling environment for investments and competitiveness in the identified growth sectors. These include: promoting access to finance for investors; creating a single registration portal for all business registration to increase transparency and reduce processing time for business licensing; and establishing and/or repairing existing infrastructure such as feeder roads, airways and waterway network, power grids and water networks. Others are, promoting stable macroeconomic regime, introducing favourable land tenure and property rights policies, and ensuring security and political stability.

Public-private partnerships are key to promoting employment creation in the identified sectors. The governments should, therefore, put in place mechanisms to ensure improved security, and political and macroeconomic stability so as to attract both local and foreign investors through PPP. To ensure sustained employment creation for women and youth, the PPP agreements with foreign investors should have a clause on the minimum proportion of local workers to be in technical and managerial positions, mechanisms for capacity-building of the local workforce, and frameworks for ensuring skills and technological transfer from the foreign-based firms and their workers, to the local counterparts. The PPP agreements should also contain the local content clause to promote sourcing of raw materials and other auxiliary services from the local producers and suppliers, and enhance industry linkages.

Public policies, which aim to promote investments and employment creation in the various sectors, should be targeted based on the unique needs and binding constraints faced by specific sectors. The interventions should also be properly sequenced for effectiveness. Measures that aim to promote investment and employment creation in the services sector could focus more on political stability, the fight against corruption, and unfair competition from informal businesses. However, they could effectively promote investment opportunities as well as the creation of employment in the industrial sector by improving electricity supply. Policies and interventions that ease access to finance are useful to all sectors given the critical role it plays in promoting investments, growth, and competitiveness.

Strategies to promote employment of women and youth in the respective countries should articulate the mix and interaction of macroeconomic policies, labour and employment policies and other interventions specifically targeting the women and youth, and particularly the most disadvantaged. Public investments targeting youth

employment should also be maximized by ensuring that young workers have the right skills and are supported in the job matching. This means that linking investment in infrastructure with labour market policies would boost both quantity and quality of jobs for the young people.

The low productivity trap identified in the growth sectors in the case study countries has the potential to constrain creation of productive and durable employment opportunities for women and youth. To reverse this trend, countries need to design and implement integrated framework for productivity management. This would involve designing and implementing targeted strategies aimed at strengthening institutional operational capacities; undertaking national and sectoral productivity surveys; and implementing targeted sectoral productivity improvement initiatives in the growth sectors. Other interventions are establishing national and sectoral productivity indices; scaling up productivity awareness campaigns; and ensuring sustained implementation of productivity improvement programmes.

To improve access to and increase relevance of TVET system in the countries, respective governments should take measures to reform the TVET systems so as to provide equal access to young women and men; reform the system to flexibly respond to labour market requirements, including through provision of work experience; and strengthen TVET and university level programming to address the skill needs of the growth sectors. In addition, the governments should mainstream and integrate volunteerism, internship, apprenticeship, industrial attachments, and other work-based learning programmes in all sectors of their economies. The governments should also integrate provision of 21st century skills in the curricula of education and training institutions.

Skills mismatch, manifested through under-education and over-education, reflect an inadequate use of human capital and, if persistent, such mismatches can result in high economic and social costs for workers, employers, and society as a whole. To support evidence-based policy making aimed at reducing skills mismatch, the respective governments should commission researches and surveys targeting current and future skill requirements. The research and/or surveys should assess the extent to which the level of education of workers corresponds to the level of education required by their jobs. It should also aim at identifying the causes and consequences of both over-education and under-education among different population groups such as women and men, young and older people and migrant workers. Such information is essential for macroeconomic and human resources development planning and the formulation of appropriate policies.

The respective governments also need to provide stronger support for reskilling and upskilling for women and youth. The governments also need to create incentives for investments in the markets and jobs of tomorrow; and to undertake improvements in education and training systems.

Notes

1. Alemayehu, G. 2022. “The challenge of unemployment and youth unemployment amidst fast economic growth in Ethiopia”, (Forthcoming).
   Ousmane, Z.T. and L. Sountoura. 2022. “The potential for women and youth employment in Mali's economic sectors”, (Forthcoming).
   Edewor, S.E. and G.B. Kollie. 2022. “Sectoral development: Assessing the conditions that drive youth employment in key sectors of the Nigerian economy”, (Forthcoming).

2. Includes subsistence farming; export-oriented agriculture; pastoralism and hunting; forestry and fruit gathering; fishing; and mining activities.

3. Includes trade, hotels, and restaurants; transport and communications; financial activities; trade and business services; public administration activities; other services; and production attributed to banking services.

4. Includes agri-food industries; textile industries; metallurgy, foundries (gold); other industries; electricity and water; and construction.

5. https://ilostat.ilo.org/258-million-workers-in-the-world-are-over-educated-for-their-jobs/

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Mission

To strengthen local capacity for conducting independent, rigorous inquiry into the problems facing the management of economies in sub-Saharan Africa.

The mission rests on two basic premises: that development is more likely to occur where there is sustained sound management of the economy, and that such management is more likely to happen where there is an active, well-informed group of locally based professional economists to conduct policy-relevant research.

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