Youth Employment in Sub-Saharan Africa

The World Bank
Main Findings

Unemployment (of urban educated graduates) is just the tip of the iceberg

The youth employment problem is about creating pathways to productive work in agriculture, household enterprises, as well as the modern wage sector. It will take priority actions on the human capital as well as the business environment side.
The Challenge and Opportunity: Africa is a Young Continent

Trends in the ratio of working-age to non-working-age population, 1950–2050

- East Asia & Pacific
- Latin America & Caribbean
- Middle East & North Africa
- South Asia
- Sub-Saharan Africa
Africa’s Youth Employment Challenge Starts with the Structure of Past Growth

Over the past two decades, agriculture’s share in GDP contracted in Africa, but manufacturing did not replace it.
Growth was rapid and not “Jobless”

The share of employment in agriculture contracted in many fast growing economies

![Graph showing percentage point change in employment share for various countries, including Nigeria, Rwanda, Ghana, Uganda, Tanzania, Senegal, and Cote d'Ivoire. The x-axis represents different countries, and the y-axis shows the percentage point change in employment share. The graph indicates a decline in agriculture, with some increase in private wage and household enterprises.]
Even so, by 2010 most Africans worked in agriculture and household enterprises – they were not unemployed.
Wage employment remains low compared with other regions

Employed Population 15–64 in 2010

(Percent)

<table>
<thead>
<tr>
<th>Income level</th>
<th>Region/Country</th>
<th>Wage Employment</th>
<th>Household Enterprises</th>
<th>Agriculture</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>All</td>
<td>Industry</td>
<td>Services</td>
<td></td>
</tr>
<tr>
<td>Low income</td>
<td>Sub-Saharan Africa</td>
<td>13.3</td>
<td>2.6</td>
<td>10.7</td>
<td>18.2</td>
</tr>
<tr>
<td></td>
<td>Lao</td>
<td>13.5</td>
<td>5.4</td>
<td>8.1</td>
<td>19.0</td>
</tr>
<tr>
<td></td>
<td>Bangladesh</td>
<td>25.7</td>
<td>10.8</td>
<td>14.9</td>
<td>27.7</td>
</tr>
<tr>
<td></td>
<td>Cambodia</td>
<td>23.3</td>
<td>11.1</td>
<td>12.2</td>
<td>21.0</td>
</tr>
<tr>
<td>Low-middle income</td>
<td>Sub-Saharan Africa</td>
<td>13.4</td>
<td>1.8</td>
<td>11.6</td>
<td>29.1</td>
</tr>
<tr>
<td></td>
<td>Vietnam</td>
<td>31.8</td>
<td>14.3</td>
<td>17.5</td>
<td>19.1</td>
</tr>
<tr>
<td></td>
<td>Nicaragua</td>
<td>43.9</td>
<td>13.3</td>
<td>30.6</td>
<td>22.9</td>
</tr>
<tr>
<td></td>
<td>Philippines</td>
<td>48.7</td>
<td>12.6</td>
<td>36.1</td>
<td>19.5</td>
</tr>
<tr>
<td></td>
<td>Bolivia</td>
<td>43.0</td>
<td>12.6</td>
<td>30.4</td>
<td>28.1</td>
</tr>
<tr>
<td></td>
<td>Mongolia</td>
<td>39.3</td>
<td>5.9</td>
<td>33.4</td>
<td>16.0</td>
</tr>
</tbody>
</table>
How are the overall employment estimates and projections done?

- **Baseline estimates** of employment by sector
  - Census, Household, Labor Force and other surveys
  - Same LFPR for each country group
  - Imputations for countries with missing data

- **Economic growth** by country and sector (optimistic)
- Estimate **sectoral elasticities** of employment with respect to growth for country groups
  - Existing estimates from the literature
  - For selected African countries (with data) estimated based on previous decade
  - Computed estimates based on Asian comparators

- Elasticities are then applied to country and sector growth estimates to derive employment growth

- **Agriculture** is ‘residual’ to close the model except for upper income countries

- Sensitivity analysis – is there a game changer scenario?
Results: Projected Employment in 2020

<table>
<thead>
<tr>
<th>Income Type</th>
<th>Labor Force Size</th>
<th>Agriculture</th>
<th>Household enterprises</th>
<th>Wage Industry</th>
<th>Wage Services</th>
<th>Unemployed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Income</td>
<td>248 million</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lower-Middle Income</td>
<td>52 million</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resource Rich</td>
<td>200 million</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Upper-Middle Income</td>
<td>23 million</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>523 million</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In percent of total
Where will the new jobs be?

125 million new jobs for 170 million new entrants
African youth do experience a long transition to work, especially in urban areas.
Youth end up working in the same sectors as adults – can they be more productive?
Education determines opportunities...

Education Profile of Workers ages 25-34 in each Sector

Agriculture
Non-farm household enterprise
Wage without contract
Wage with contract
All

No Education  Primary incompl.  Primary comp.  Secondary +
But quality is key challenge

Percent of SACMEQ 6th grade test-takers at each mathematics performance level, by SES

- Competent and above (Level 5, 6, 7, 8)
- Beginning numeracy (Level 4)
- Pre, Emergent and Basic numeracy (Levels 1, 2, 3)
Learning deficits start early

(Percentage of students who cannot read a single word of a simple paragraph, 2010)
Learning deficits hamper global competitiveness

Proportions of Grade 8 students scoring at “low” intermediate/high” and “advanced” Benchmarks (Math, TIMSS 2011)
Severe Shortfalls in the Delivery of Education Services

Service Delivery Indicators

<table>
<thead>
<tr>
<th></th>
<th>Kenya</th>
<th>Nigeria*</th>
<th>Senegal</th>
<th>Tanzania</th>
<th>Uganda</th>
</tr>
</thead>
<tbody>
<tr>
<td>School teacher absence rate</td>
<td>16%</td>
<td>16%</td>
<td>18%</td>
<td>23%</td>
<td>27%</td>
</tr>
<tr>
<td>Classroom teacher absence rate</td>
<td>47%</td>
<td>25%</td>
<td>29%</td>
<td>53%</td>
<td>57%</td>
</tr>
</tbody>
</table>

Share of teachers with minimum knowledge:

<table>
<thead>
<tr>
<th></th>
<th>English/French</th>
<th>Mathematics</th>
<th>Classroom teaching time</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10%</td>
<td>75%</td>
<td>2h 19m</td>
</tr>
<tr>
<td>Nigeria*</td>
<td>5%</td>
<td>7%</td>
<td>3h 17m</td>
</tr>
<tr>
<td>Senegal</td>
<td>29%</td>
<td>75%</td>
<td>3h 15m</td>
</tr>
<tr>
<td>Tanzania</td>
<td>9%</td>
<td>73%</td>
<td>2h 04m</td>
</tr>
<tr>
<td>Uganda</td>
<td>4%</td>
<td>36%</td>
<td>2h 58m</td>
</tr>
</tbody>
</table>

Classroom teaching time:

(5h 40m) (4h 43) (4h 36m) (5h 12m) (7h 20m)

* Nigeria SDI covers 6 States. Preliminary findings shown.
Priority Actions

- For agriculture
- For household enterprises
- For the modern wage sector
In agriculture, youth need land and support to make it productive

Land ownership by age group

Opportunities and constraints

- Growing demand for food produced on Africa’s farms – domestically and exports
- Youth can be early adopters of new technology if it is available
Priorities for productivity in agriculture

Do now, for now

• Enable **rental markets** for land
• Support high-quality, **demand-driven extension** services (covering information as well as skills)
• Promote rural **village savings** and loan associations and self-help groups
• Link agricultural **credit to extension** services

Do now, for later

• Establish effective **land registration** and transaction systems
• Scale up **intergenerational land transfer** programs
• **Mainstream youth** into interventions (producer organizations, livestock development, irrigation, and others)
• Build skills through rapid improvements in **education systems in rural areas**
Household Enterprises are not SMEs – they need their own approach, and youth need support to seize opportunities.

Most enterprises are family operations.

Youth struggle to start a business.

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Distribution of HE owners</th>
<th>Share of age group being in HE owners</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-19</td>
<td>30%</td>
<td>40%</td>
</tr>
<tr>
<td>20-24</td>
<td>20%</td>
<td>30%</td>
</tr>
<tr>
<td>25-29</td>
<td>15%</td>
<td>20%</td>
</tr>
<tr>
<td>30-34</td>
<td>10%</td>
<td>15%</td>
</tr>
<tr>
<td>35-39</td>
<td>5%</td>
<td>10%</td>
</tr>
<tr>
<td>40-44</td>
<td>3%</td>
<td>5%</td>
</tr>
<tr>
<td>45-49</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>50-54</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>55-59</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>60-65</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>66+</td>
<td>1%</td>
<td>1%</td>
</tr>
</tbody>
</table>
Priorities for productivity in household enterprises

Do now, for now

- Develop a **national strategy** that reflects the voice of youth and household enterprise owners
- Ensure access to workspace and infrastructure for household enterprises through improved **urban policy**
- Leverage NGOs to deliver interventions that support disadvantaged youth to enter the sector by addressing **multiple constraints** (building a range of skills together, building skills along with providing access to finance)

Do now, for later

- Build **foundational skills** through rapid improvements in education systems
- Address **infrastructure needs** of household enterprises in urban development planning
Financial inclusion for family farms and enterprises, as well as households

- Households, and farm or business finances comingled
- Households need place to save *and* to get credit
- Youth need savings to start a business or buy inputs for the farm, and a place to safeguard profits
- Mobile money shows promise but need better regulations
- Informal savings groups are filling the gap, especially in rural areas

African youth save, but not in banks (Youth 15-24 who save)
A manufacturing strategy won’t solve today’s youth employment, but it will help the next generation.

Manufacturing employment has grown slowly.

“Game changer” scenario takes time to have an effect.
What is needed for a “game changing” scenario in the modern wage sector?

Need to raise productivity or lower wages or both

- Ample supply of unskilled labor in most countries
- Primary focus should be on business environment
- Business environment often protects status quo
- Well known cost issues need to be addressed: infrastructure costs, high land and input costs, expensive logistics, lack of finance, etc.
- Management and market know-how may be a constraint
Priorities for productivity in the modern wage sector

Do now, for now

• Reduce the cost of infrastructure services by addressing quality and efficiency
• Address logistics bottlenecks
• Reduce corruption and the cost of business start-up
• Reform technical vocational education and training and pursue public-private partnerships for delivering demand-driven training

Do now, for later

• Increase the quantity of infrastructure services
• Expand regional markets for products
• Build foundational skills through rapid improvements in education systems
• Improve access to credit through financial sector reform
Cross-cutting priorities

Do now, for now

• Use safety net programs as a platform to deliver interventions to disadvantaged youth
• Increase awareness of opportunities and pathways to self-employment, especially for young women
• Consider second-chance education for basic skills

Do now, for later

• Promote ECD and nutrition to build a stronger foundation for skills development
• Build socioemotional and behavioral skills (consider reforms within the school system)
• Reduce fertility rates to lower the size of future youth cohorts
• Build better employment data and a stronger evidence base to identify country constraints, priorities, and opportunities
Governments need to own the “whole” problem

A wide ranging agenda ... with no silver bullets

YE is about building skills through improving the quality of education, as well as behavioral and business skills

YE is about agriculture – where strategies exist but have not been implemented, and could benefit from a youth lens

YE is about household non-farm enterprises – where few strategies exist

YE is about creating more labor intensive enterprises as fast as possible to absorb the supply of new entrants with education who want wage jobs

YE is about female empowerment and focus on the poor
Thank you
A Note on Employment Data

• Our report is largely based on data from World Bank Africa region poverty program for Standardized and Harmonized Household Data (SHIP).
  – Major issues with frequency and quality of data.
• Traditional employment surveys often ill-suited in Africa:
  – Few employment surveys consistently measure participation and earnings in wage employment, household enterprises and agriculture (as well as multiple occupations)
  – Official definitions are sometimes problematic for Africa (use of 7 days recall instead of 12 months recall, subsistence agriculture now excluded from labor force, …)
• Survey experiments are providing new insights on survey design:
  – Labor statistics (e.g. questionnaire structure and choice of respondent)
  – Measurement of earnings in household enterprises
  – Optimal design of agriculture survey module (LSMS/ISA)
• Some major gaps remain, for instance:
  – Data on employment dynamics (panel data needed)
  – Direct measurement of skills
  – Data on coverage and characteristics of private training sector