Overview

Youth Employment in Sub-Saharan Africa

Sub-Saharan Africa has just experienced one of the best decades of growth since the 1960s. Between 2000 and 2012, gross domestic product (GDP) grew more than 4.5 percent a year on average, compared to around 2 percent in the prior 20 years (World Bank various years). In 2012, the region's GDP growth was estimated at 4.7 percent—5.8 percent if South Africa is excluded (World Bank 2013). About one-quarter of countries in the region grew at 7 percent or better, and several African countries are among the fastest growing in the world. Medium-term growth prospects remain strong and should be supported by a rebounding global economy.

At the same time, many Africans are dissatisfied with this economic progress. According to the latest Afrobarometer data, 65 percent of the surveyed population consider economic conditions in their country to be the same or worse than the year prior, 53 percent rate their national economic condition as "very bad" or "fairly bad," and 48 percent say the same about their personal economic condition (Afrobarometer 2011–12. www.afrobarometer.org).

The incidence of poverty has fallen as Sub-Saharan economies have expanded, yet overall growth in Sub-Saharan Africa has not been as pro-poor as growth in other regions. Each 1 percent increase in average per capita consumption has been associated with a reduction in poverty of 0.69 percent; elsewhere in the world, that reduction has averaged just over 2 percent (World Bank 2013). In part, Africa's poverty reduction has been less marked because in many countries the source of growth is primarily oil, gas, and mineral extraction, not labor-intensive sectors such as agriculture or manufacturing. Young people, who have weaker links to the world of work than the general population, are therefore doubly disadvantaged.

Although the current generation of Africans entering the labor force is the most educated ever, many are finding that their prospects for employment and earnings differ very little from those of their parents. In a few countries, they are worse.

Youth in urban areas have been vocal about their dissatisfaction. Urban demonstrations

consisting primarily of politically active and disaffected youth have become more common in African capitals. The causes of urban violence undoubtedly include factors much broader than employment status (such as inequality and exclusion), yet dissatisfaction with opportunities, especially in relation to expectations, can be a contributing factor. Understandably concerned, especially in light of the Arab Spring, policy makers in Sub-Saharan Africa are making youth employment a high priority. Focusing on urban youth, they are seeking policies and programs that can ameliorate the dissatisfaction of young people and ease their transition into adulthood by encouraging the creation of sustainable, productive employment.

But urban youth are only the most visible and audible part of the employment problem. The majority of young people still live in Africa's rural areas and small towns. Poorer and less educated than their urban counterparts, they too struggle to find pathways to adulthood, especially to stable, remunerative employment that allows them to support a family. For young women, the pathway can be especially treacherous. As they navigate the school-to-work transition, their control over their own destiny and their employment choices may be limited by social norms.

The challenge of youth employment in Africa may appear daunting, yet Africa's vibrant youth represent an enormous opportunity, particularly now, when populations in much of the world are aging rapidly. Youth not only need jobs, but also create them. Africa's growing labor force can be an asset in the global marketplace. Realizing this brighter vision for Africa's future, however, will require a clearer understanding of how to benefit from this asset. Meeting the youth employment challenge in all its dimensions—demographic, economic, and social—and understanding the forces that created the challenge, can open potential pathways toward a better life for young people and better prospects for the countries where they live.

This report begins by laying out the dynamics of the youth employment challenge in Sub-Saharan Africa today:

- The demographic transition, which created the youth bulge that is entering African labor markets and can, in the longer term, stimulate economic growth and development
- The role of mineral exports—which have shaped the structure of recent economic growth but failed to sufficiently increase the number of wage jobs most desired by youth—and the prospects for reversing this trend in the future
- The largely untapped reservoir of opportunities in farming, at a time of high global prices for agricultural commodities and rising local and regional demand for food
- The massive expansion in access to education, which is adding many years of schooling, but much less learning, during childhood and youth
- The aspirations of youth and policy makers, which focus on the wage employment sector at the expense of more immediate opportunities in family farming and household enterprises.

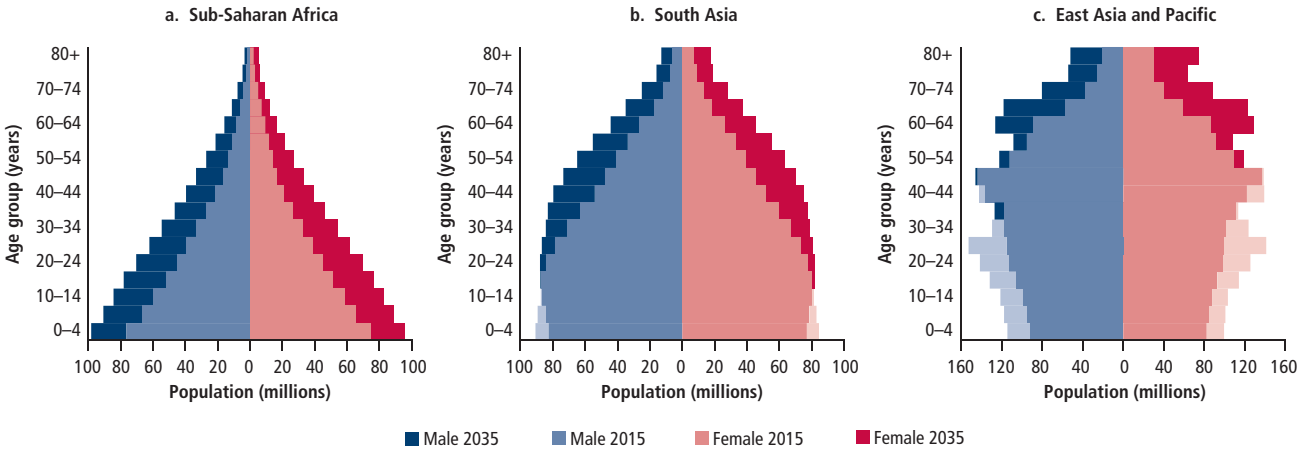
Recognizing that it is the private sector that creates jobs, the report examines obstacles faced by households and firms in meeting the youth employment challenge. It focuses primarily on productivity—in agriculture, in nonfarm household enterprises (HEs), and in the modern wage sector—because productivity is the key to higher earnings as well as to more stable, less vulnerable, livelihoods. To respond to the policy makers' dilemma, the report identifies specific areas where government intervention can reduce those obstacles to productivity for households and firms, leading to brighter employment prospects for youth, their parents, and their own children.

Africa's Large Youth Population

Sub-Saharan Africa today faces an unprecedented opportunity. Half of the population is under 25 years of age. Each year between 2015 and 2035, there will be half a million more 15-year-olds than the year before. Meanwhile, the population in the rest of the world is, or will soon be, aging (figure O.1).

Africa's youth bulge offers a range of opportunities. First, the world's goods and services

Figure O.1 The structure of Sub-Saharan Africa's population is different than that in other regions



Source: Based on United Nations 2011.

cannot be produced without working-age labor. Sub-Saharan Africa, along with South Asia, can be the main supplier of the world's workforce, either by producing goods and services in the region or by sending workers to regions with a shortage of workers. Second, manufacturing wages in other regions are rising. Africa's labor force should compete for these jobs. Third, increasing concentrations of workers in urban areas can be a source of innovation and rapid economic growth (World Bank 2008). Young people will be at the forefront of these developments. Finally, if fertility continues to decline, rapid growth in Africa's workforce will mean that the number of working-age adults relative to "dependents" will rise from just around 1 in 1985 to close to 1.7 in 2050, providing the space for savings, investment, and sustained economic growth. Yet the demographic transition is not automatic. A critical concern is that the decline in fertility rates has stalled—or not even started—in many African countries. But it is also a critical concern that those of working age are able to be productive.

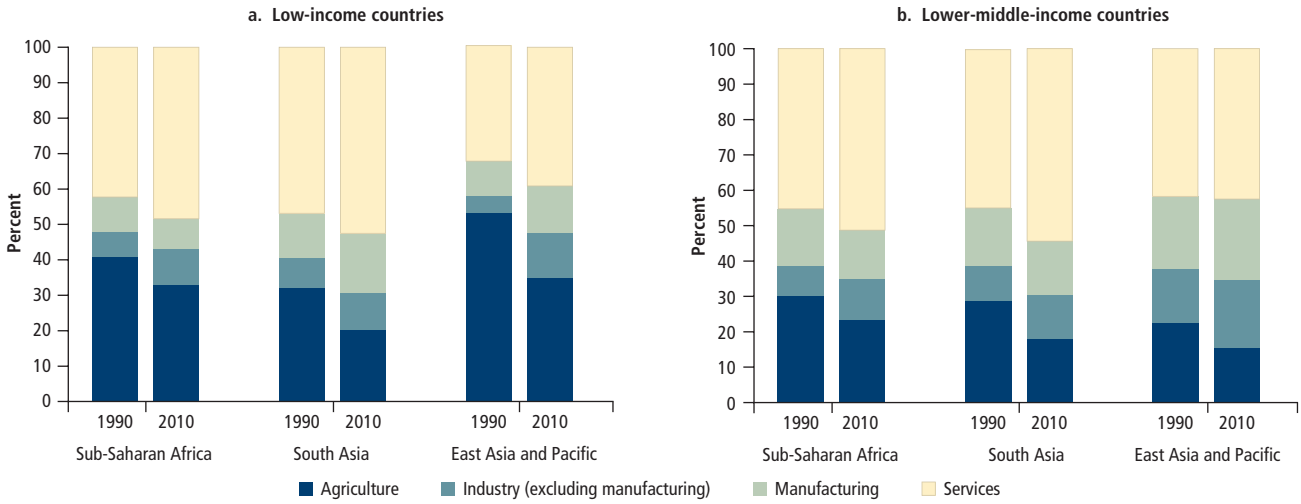
Growth, Jobs, and Africa's Labor Force—Now and in the Future

Despite 15 years of relatively rapid economic growth averaging more than 4.5 percent a year, almost all African countries still depend on primary commodities for their exports. The failure of this growth to reduce poverty is stark in several countries, including oil-rich Angola, Gabon, and Nigeria, and noticeable in others, such as Mozambique and Zambia. Labor-intensive manufactured exports—the force behind employment and economic transformation in East Asia—are far from taking off in Africa. In fact, manufacturing's share in GDP is lower in Sub-Saharan Africa today than it was in 1980; over the same period in Asia, it rose in both lower- and middle-income countries (figure O.2).

To understand the challenge of youth employment in this context, we start with where Africans work today (see box O.1 for an explanation of how this report defines employment). Contrary to popular perceptions, measured unemployment in low-income Africa is only 3 percent.[1] Even in lower-middle-income countries, unemployment is quite low (figure O.3).

These low unemployment rates may seem counterintuitive, given widespread concern about "unemployed youth," but most Africans simply cannot afford to be idle. Very few families can fully support a recent graduate while he or she seeks a job. That the unemployment rate is highest among university graduates—who mostly come from the top end of the income distribution—is no coincidence. Only in upper-income countries, with broader safety nets, does substantial unemployment persist,

Figure O.2 Over the past two decades, agriculture's share in GDP contracted in Africa, but manufacturing did not replace it



Source: World Bank various years.

Box O.1

What is a "job"?

In assessing the challenges of youth employment, it is important to take stock of what it means to have a job and to have employment. To some, having a job is synonymous with having a wage or salaried position with an employer. Most work in Africa is not structured that way, however. This study follows the approach adopted in the *World Development Report 2013: Jobs,* which defines jobs as "activities that generate actual or imputed income, monetary or in kind, formal or informal." That report also notes that not all forms or work can be considered jobs—for example, activities that are performed against the will of the worker or that violate basic human rights.

Across countries, including those in Sub-Saharan Africa, people report that jobs have a broader importance than the income they provide. Jobs can convey identity, status, and self-confidence; they can contribute to an individual's overall life satisfaction. Not all jobs contribute to these dimensions of well-being. The type of job, working conditions, contract, benefits, and safety and security at work all matter. Beyond personal life satisfaction, jobs also contribute to social cohesion through various channels: jobs can shape identities and how individuals relate to one another, jobs can connect people to one another through networks, and the distribution of jobs within society and the perceptions about who has access to opportunities, and why, can shape people's expectations and aspirations for the future, their sense of having a stake in society, and their perceptions of fairness. All of these intrinsic aspects of jobs are particularly important for youth.

Source: World Bank 2012.

including among youth. Because the youth employment challenge is configured somewhat differently in Africa's resource-rich countries and some middle-income countries, they will need to approach the challenge in somewhat different ways (see box O.2).

Where do most Sub-Saharan Africans find employment? About 16 percent of those in the labor force have "wage jobs"—jobs that pay a regular wage, sometimes with associated benefits. In low-income countries, these jobs are divided roughly equally between the public and private sectors, although the private share grows with per capita income. The industrial sector (mining, manufacturing, and construction) accounts for less than 20 percent of wage jobs (about 3 percent of total employment). The remaining jobs are either on family farms

(62 percent) or in household enterprises (22 percent), which may be collectively described as the informal sector (see box O.5 for a definition of household enterprises). These kinds of jobs—working a small plot of land, selling vegetables on the street, sewing clothes in one's home—often generate low earnings, partly because the "enterprises" tend to be tiny, typically involving only the family.

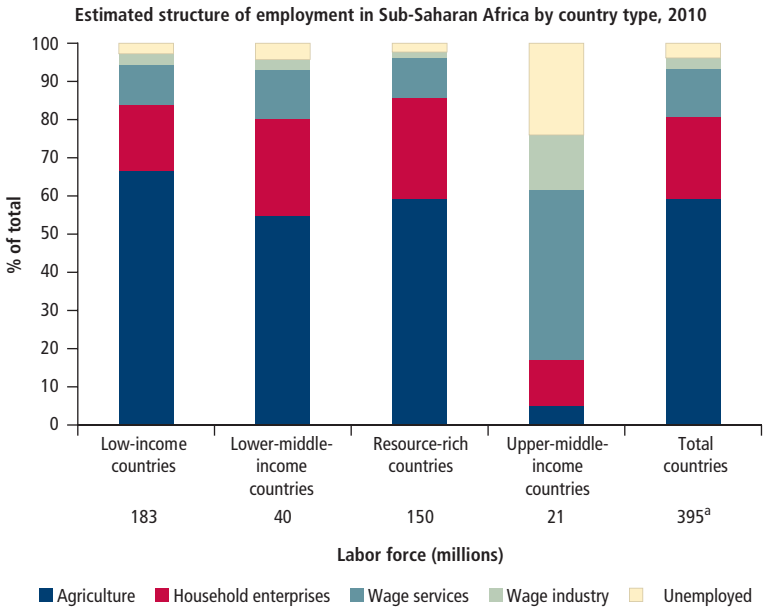
Will this pattern of employment persist? After all, countries that are not resource rich are creating private wage jobs at a rapid clip—often faster than GDP is growing. The kinds of jobs that are created will depend partly on the structure of growth that Africa attains. Growth and employment projections for this report assume that growth will remain strong (5–6 percent a year) and will be fueled by Africa's natural resources—minerals and agriculture. The mineral sector is not expected to create very many jobs. Increases in wage employment (as a share of total employment) will come from continued diversification of output and exports and from increased domestic demand for services as incomes grow. Since service employment is projected to grow faster than employment in industrial sectors, as it has in the past, most nonfarm employment will be created there. Based on these assumptions, the number of industrial sector wage and salary jobs is projected to increase 55 percent over the next 10 years. The problem is that this growth starts from such a small base that it does not even come close to absorbing the millions of young people entering the labor force each year. Because of the low base, the share of industrial wage jobs in total employment will rise only from 3 to 4.5 percent in Sub-Saharan Africa, still below the share in other developing regions. The share of wage jobs in the service sector is projected to rise from 13 to 22 percent.

In other words, over the next 10 years, at best only one in four of Sub-Saharan Africa's youth will find a wage job, and only a small fraction of those jobs will be "formal" jobs in modern enterprises. Most young people will end up working where their parents do—in family farms and household enterprises (figure O.4).

The employment challenge is therefore not just to create jobs in the formal sector, important as that may be, but to increase the productivity of the almost 80 percent of the workforce who will be in the informal sector—thereby addressing the underemployment associated with work in this sector. The size of the youth bulge in Africa and the current structure of the economy mean that the majority of this generation's workers will remain in the informal sector for the duration of their working lives. To be sure, in the long run these workers (or their children) will move to the formal sector, like their counterparts in East Asia and Latin America.

This focus on raising productivity in the informal sector may seem unusual, given the publicity around high unemployment among university graduates and the recent emphasis on creating jobs in the formal manufacturing sector (Dinh et al. 2012). But university graduates still represent only a tiny fraction (about 3–4 percent) of the labor force, come from the richest households, and have the best job prospects. Creating jobs in the formal sector is important and should be encouraged, but the reality is that even if African countries were able to attract an extraordinary infusion

Figure O.3 **Where are Africans working?**



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.

Box O.2

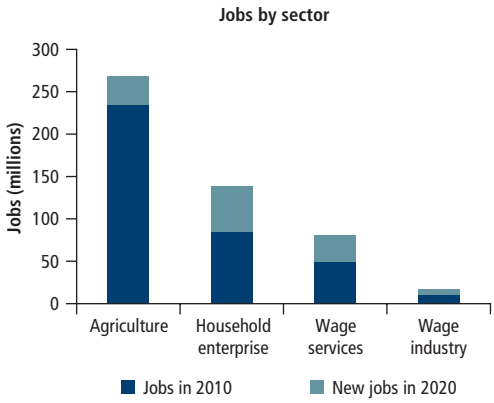
The youth employment challenge in resource-rich and some middle-income countries in Africa

Resource-rich countries present particular challenges when it comes to employment. Natural resource rents, if poorly managed, lead to overvalued exchange rates and uncompetitive real wages. Such conditions severely hamper job creation in export-oriented sectors. At the same time, the few but highly paid employment opportunities in the natural resource sector encourage young people to "wait for a job"—behavior that can distort educational choices and aggravate skill mismatches in the labor market. Resource rents can also engender substantial governance problems that stifle growth in employment.

If countries manage their natural resource endowments well, however, they can amass the financial resources to support smart investments in human development, infrastructure, and the promotion of new sources of economic growth. Resource-rich countries noted for successfully growing their economies, such as Chile, Indonesia, and Malaysia, have diversified economically—to manufacturing (Indonesia and Malaysia) or to non-resource-based primary commodities (Chile)—through sound macroeconomic policies, open trade and investment policies, strategies to build human capital, and a good business environment (Gelb and Grasmann 2010).

Youth employment problems in some middle-income countries, such as Mauritius and South Africa, resemble the crisis in youth unemployment occurring outside Sub-Saharan Africa. Especially in South Africa, unemployment is high (25–40 percent, depending on the definition used), youth unemployment is even higher, and the informal sector is very small. The challenge is to reduce unemployment, which involves understanding its determinants. While the symptoms and some of the causes may differ (for instance, labor regulations may play a significantly larger role in these more developed countries), some of the solutions proposed in this report for other countries are quite similar to those needed in South Africa—for example, steps to increase agricultural productivity or improve workers' foundational skills.

Figure O.4 Informal will be normal in 2020



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

of private investment in very labor-intensive enterprises, the formal sector would draw only a small number of workers from the informal sector in the near future (see box O.3).

Even if it is realistic to emphasize the role of the informal sector, does this mean that we are pessimistic about Africa's future? That we are denying African workers the hope of emerging from informal employment? On the contrary, raising the productivity of smallholder farms and household enterprises is precisely what will enable the formal sector to develop and thrive. It was the key to structural transformation in Asia and Latin America, and it is the key to Africa's future as well.

Youth's Transition to Productive Employment

Transition is the defining feature of youth (see World Bank 2006). The young leave school for work, eventually settling on a career. They grapple with the many decisions that influence when they start a family and how healthily they live (including decisions to engage in risky behaviors such as tobacco and alcohol use). Most young people also begin to engage in the rights and duties of citizens, such as voting in elections. The question, therefore, is

Box O.3

What will happen to employment if light manufacturing increases dramatically in Africa?

Some observers contend that the structure of employment could change more rapidly if Africa experienced a radical, "game-changing" departure from its current growth path (see Lin and Monga 2012; Dinh et al. 2012). What employment prospects would open to youth by 2020 if African countries picked up manufacturing industries and jobs from East Asia beginning in 2015, just as Asian countries such as Bangladesh, Cambodia, and Vietnam picked up industries and jobs from Japan and the Republic of Korea in the 1980s and 1990s?

To test the possibilities, we simulated this recent Asian experience in low-income and lower-middle-income countries of Africa.[a] For the simulation, the wage employment elasticity rises to 1.2 to match the historical wage employment elasticity estimated for Bangladesh, Cambodia, and Vietnam—meaning that employment in the industrial sector would grow 20 percent faster than value added, which implies very labor-intensive growth. The industrial growth projection for low- and lower-middle-income countries is also revised upward to 10 percent a year over 2015–20. This figure is slightly above the median and average industry growth rate experienced by Bangladesh, Cambodia, and Vietnam during the most recent decade (9.3 percent a year).

If this "game-changing" scenario could be realized, industrial wage employment would grow much faster across Africa's low- and lower-middle-income countries. The average annual growth of industrial wage employment would double over the decade to 12 percent a year, and total wage employment would grow 6 percent a year.

Ultimately, however, the structure of employment would change very little compared to today. Low-income countries could expect about 5 million more wage jobs a year, and lower-middle-income countries could expect about 2 million new wage jobs—a shift of 10 percent of total new jobs in these countries, representing a small change in the prospects for new entrants. These modest gains partly reflect the short period used for the projection (which covers 5 years, whereas the structural change in Vietnam unfolded over 20 years). They also reflect Africa's larger labor force and the lower base from which industrial development must start. Africa will need at least two decades to change the structure of employment sufficiently to offer dramatically different prospects to its youth, which underscores the importance of starting the change process now.

Source: Fox et al. 2013.

a. Africa's resource-rich countries are excluded from this simulation, because even resource-rich countries in East Asia did not achieve the transformation of employment simulated here.

how to help youth to make these transitions in a way that puts them on a pathway to productive employment. The particular challenges that young people—especially young women or poorer youth—encounter during these transitions increase the difficulty of finding a pathway to productive employment (although securing productive employment is important for all members of society, as box O.4 explains).

The transition from school to work as well as between sectors of employment (between farming and a wage job, for example) is particularly difficult for young Africans. Many lack the means, skills, knowledge, or connections to translate their education into productive employment. Nor is there a structured path to follow. Many young people combine school with work for many years (figure O.5). Some move straight into apprenticeships and similar arrangements, but others do not. Evidence from urban Tanzania (Bridges et al. 2013) shows that some young people do odd jobs and are supported by their families for as long as five years before they settle into wage jobs or (mostly) self-employment. Moreover, first-generation school leavers aspiring to be wage workers lack a family history in formal employment. They may not have networks to help them to find jobs.

Young women may be particularly disadvantaged by other dimensions of the transition, such as family formation, compared with young men (figure O.6). Social norms tend to enforce job segregation by gender. For instance, young women in the household enterprise sector work mostly in narrowly defined fields such as dressmaking, even though a range of other occupations could be more lucrative.

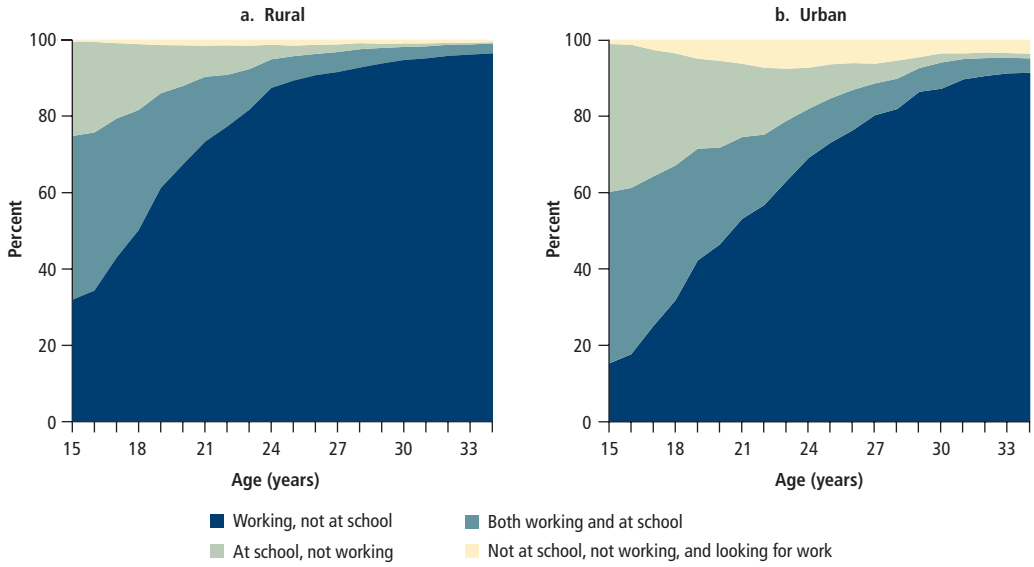
Box O.4

Youth employment versus overall employment

A key part of improving employment opportunities for Africa's youth is to understand and address Africa's overall economic challenges. For that reason, much of the discussion in this report focuses on identifying policies that can increase the productivity of all employment—in agriculture, nonfarm household enterprises, and the modern wage sector. The report also identifies promising policies that focus specifically on helping youth to transition more successfully to higher-productivity work in each of those three sectors.

The focus on youth raises the question of whether it might be socially beneficial to support employment policies that favor youth over other members of society. Special efforts to help young people to enter agriculture or start household enterprises do not generally reduce such opportunities for adults. But efforts to facilitate access of youth to the modern wage sector could potentially displace adults working in the sector. On the one hand, assistance for young people might have long-term benefits if it sets them on a productive path. On the other hand, older workers may have families and other economic dependents who rely on their income. There is no clear argument that social welfare will be improved by favoring younger workers over older ones. This report advocates seeking to increase the opportunities for all workers, while helping youth to overcome their particular constraints.

Figure O.5 The transition from school to work in Sub-Saharan Africa is slow



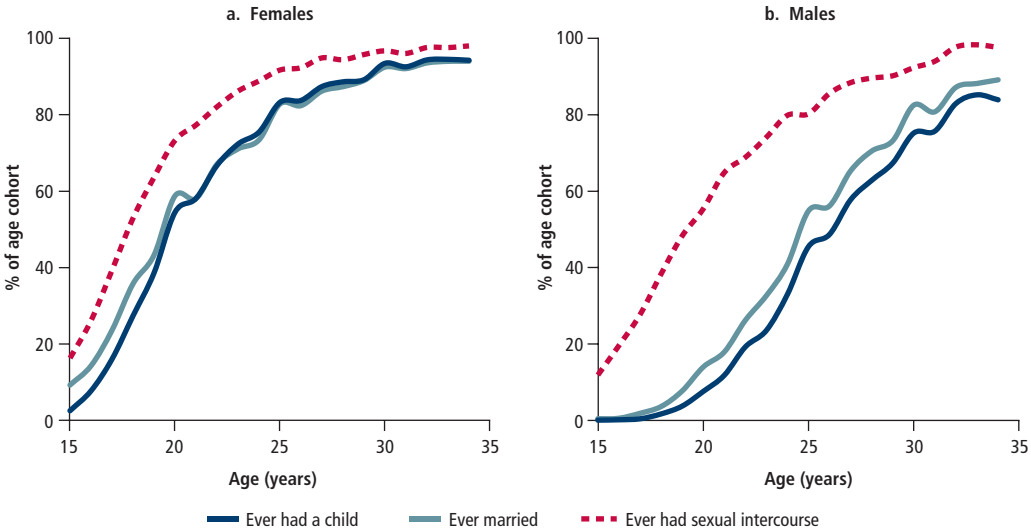
Source: Based on standardized and harmonized household and labor force surveys (see appendix).

Policy Priorities for Addressing Youth Employment

To understand the challenges constraining productivity and earnings for youth and to orient how policies should be targeted, this report considers the three main sectors where people work: agriculture, nonfarm household enterprises, and modern wage employment. It then distinguishes between two dimensions that shape young people's potential to find a pathway to productive work in the three sectors: human capital and the business environment. Box O.5 describes this framework more fully.

On the human capital side, the role of basic education dominates interventions in all three sectors. As a complement, different approaches are needed to build post-school skills in agriculture, household enterprises, and the modern

Figure O.6 **Family formation starts earlier for young women than for young men**



Source: Based on demographic and health survey data in 28 countries (see appendix).

Box O.5

Framework for analyzing youth employment

Three main sectors of employment:

Agriculture is where the vast majority of work takes place in Sub-Saharan Africa. Agriculture occupies more than 70 percent of the labor force in Africa's low-income countries and more than 50 percent in its lower-middle-income countries. African farmers are predominantly smallholders who consume a large share of what they produce. One recent collection of household surveys estimates that the share of own-consumption is around 50 percent (versus 20–30 percent outside of Sub-Saharan Africa).

Household enterprises are unincorporated, nonfarm businesses owned by households. They include self-employed people running businesses that may employ family members without pay, but may also employ less than five nonfamily workers on a continuous basis. The vast majority (70 percent) of nonfarm enterprises today are pure self-employment: just the owner operating the HE. About 20 percent of these enterprises include a family member in the operation, and only 10 percent have hired someone outside of the family.

The *modern wage sector* includes small, medium, and large firms that employ five or more workers on a continuous basis. It also includes the public sector, which in some countries is a large share of the modern wage sector. In the low- and lower-middle-income countries of Sub-Saharan Africa, roughly half of wage employment is in the public sector. In this report, we focus only on the private sector, where the potential for job growth is the greatest.

Two dimensions that shape the pathways to productive work:

- *Human capital*—the supply side, meaning the abilities, education, skills, family connections, networks, and other characteristics that are embedded in an individual and allow that person to find opportunities to be productive, increase earnings, and achieve income security
- *Business environment*—the factors outside the worker's immediate control that affect productivity (access to land, capital, and finance; infrastructure; technology; and markets), as well as the government policies, regulations, and programs that may affect the choice of economic activity and how the activity is conducted.

wage sector. On the business environment side, raising farm productivity requires enabling farmers to gain access to finance and secure land tenure; in the nonfarm HE sector, infrastructure services and access to finance as well as a space to operate will play critical roles; to boost modern sector wage jobs, business regulations and infrastructure will be important.

Human Capital: The Fundamental Role of Basic Education

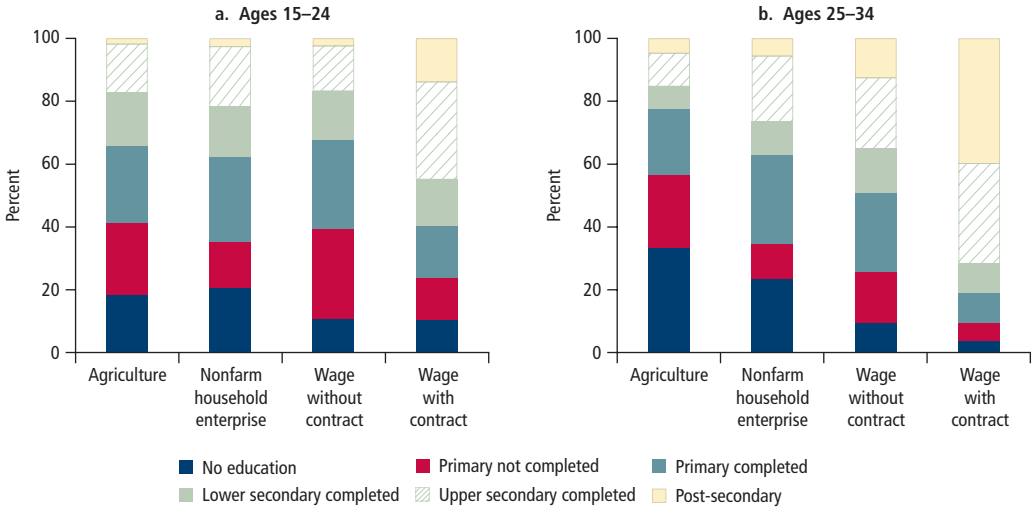
Sub-Saharan Africa has seen a rapid increase in the number of children who complete primary school, from about 50 percent in 1991 to 70 percent in 2011. The average young Ghanaian or Zambian today has more schooling than the average French or Italian citizen had in 1960 (Pritchett 2013). The current cohort of youth in Sub-Saharan Africa will be the most schooled ever.

Educational attainment shapes employment opportunities, as reflected in the substantial variation in the educational profiles of young workers in each sector (figure O.7). Internationally benchmarked learning assessments suggest that many young people nevertheless lack the skills to compete in a global marketplace. Schooling is not learning. Deep deficiencies in the quality of education mean that the effect of schooling on productivity is far below its potential. The poor quality of education directly constrains productivity and hinders individuals from acquiring new skills.

Learning in primary school is often minimal: 80 percent of Malian third-graders and more than 70 percent of Ugandan third-graders cannot read a single word (Cloutier, Reinstadtler, and Beltran 2011). Even students who complete primary school have low levels of basic skills: among sixth-graders 43 percent in Tanzania and 74 percent in Mozambique are at or below the "basic numeracy" level, while 44 percent in Mozambique cannot "read for meaning" (Hungi et al. 2010). A few years of low-quality basic education will not confer much of a gain in productivity if students never master even basic literacy and numeracy—although so-called "second-chance education" approaches offer some potential for catching up. For many, however, primary schooling is the highest level of schooling they will achieve. These results are especially troubling because they suggest that school leavers have a fragile foundation on which to build more specialized skills.

Even students who make it to the secondary level—those who will most likely head to the modern wage sector—are not globally competitive. In the most recent internationally benchmarked assessment of eighth- and ninth-grade students, 79 percent of Ghanaians and 76 percent of South Africans do not surpass the lowest measured level of math proficiency. For comparison, the international mean is 25 percent, and the corresponding scores are 67 percent for Indonesian students and 45 percent for Jordanian students.[2] Beyond these cognitive skills, many youth lack the behavioral and

Figure O.7 Education shapes opportunities



Source: Based on standardized and harmonized household and labor force surveys (see appendix).

socioemotional skills, sometimes called "soft skills," that are needed to get, keep, and be productive in a job.

Addressing this lack of learning is not easy. Surveys of schools reveal substantial failures in service delivery. For example, absenteeism among teachers is between 16 and 20 percent on a given day in Kenya, Senegal, and Tanzania, and primary school students in those countries experience only about two to three hours of learning a day.[3] Reforming the accountability framework that allows such poor performance to persist is key. Better information on performance must be complemented by targeted approaches that increase oversight by the people who are most affected: students and their parents. Steps to ensure that teachers are well prepared for teaching and supported in their tasks are critical for creating a cadre of high-performing professionals. The rise of private schools in Africa—schools that often deliver superior performance at lower cost—should not be stifled but should be encouraged and channeled to give larger numbers of students the opportunity to learn.

Improvements in basic education will lay the foundation for improvements in productivity. At the same time, to maximize young people's chances of transitioning successfully to remunerative employment, complementary actions are required to improve the business environment and develop human capital. Those actions will vary by sector of employment, as discussed next.

Raising the Productivity of Smallholder Farmers

Agriculture can and should be a sector of opportunity for Sub-Saharan Africa's youth. The growing demand for food means that there is scope for supply to take advantage of a growing market. And growth in demand is not limited to Africa's expanding domestic markets. Global food prices are at their highest point in several decades, and they are expected to remain high for at least the rest of the decade.

Africa is well positioned to produce for this large and potentially lucrative global market. It has plentiful supplies of land and often of water, unlike other regions. If young people can gain access to these resources and use them in conjunction with strategies to make agriculture more productive, the results could be transformative for livelihoods and economic growth. More than two-thirds of the young people who work in rural areas already work in agriculture, and most will remain there, even if the nonfarm sector develops extremely rapidly.

Although agriculture is the most immediate means of generating income and employment for large numbers of young people, efforts to accelerate agricultural growth and improve food security in Africa have been conceptually separated from efforts to create jobs for young people. Yet these goals are highly complementary. Increasing young people's opportunities for productive work in rural areas is arguably the most important catalyst for Africa to reap its demographic dividend.

Low agricultural productivity is the primary impediment to overcome. Agricultural productivity remains lower in Africa than in any other region of the world, and agriculture is the least productive sector in African economies. This is true, despite the fact that total factor productivity, as well as land and labor productivity, have been increasing in African agriculture since the 1990s (Fuglie and Rada 2013; Nin-Pratt, Johnson, and Yu 2012). Productivity may increase further as food prices continue to rise, because the value of output for the same amount of inputs will increase, but these productivity indicators are far below levels achieved in other regions during their phases of rapid economic growth. Indeed, African countries are not following the trajectory of other regions in which productivity gains on farms, combined with higher productivity and more opportunities off the farm, shifted labor rapidly out of agriculture.

The effects of low agricultural productivity extend well beyond rural areas and farm households. An underappreciated result of low agricultural productivity in Africa is high domestic food prices. Local prices are poorly correlated with global prices, especially in the interior. When domestic prices are high, this increases the cost of food and pushes up wages, contributing to Africa's overall lack of competitiveness. High domestic prices undermine real earnings

for everyone except those farmers who are net food sellers and whose production costs are relatively low. Greater agricultural productivity will reduce the domestic cost of food and create more and better-paying nonfarm jobs for everyone, especially youth.

Understanding why the least productive sector is also the largest may provide insight into how farmworkers can increase their productivity. Small-scale farmers may be caught in a trap that prevents them from generating sufficient earnings to invest in expanding production and productivity. The vast majority of African farmers work on tiny plots of land, often under uncertain tenure arrangements. They cannot take advantage of economies of scale (where they exist), modern agricultural inputs, and mechanization. Poor rural infrastructure (transport, electricity, and irrigation) frustrates farmers' efforts to obtain affordable inputs such as seed and fertilizer, market their output profitably, or harness new land for cultivation. The lack of irrigation makes agriculture more vulnerable to the vagaries of weather.

Low levels of education and pervasive health problems (two outcomes of the poor delivery of services) prevent farmers from increasing their own productivity, much less migrating to areas where agriculture or some other occupation might be more productive. Rural youth have significantly lower levels of education than their urban counterparts. Many endemic diseases are not difficult to manage or cure, but these areas of health policy often receive little attention despite their high cost to the rural economy. Illness, apart from reducing the labor available to farm households, can deplete savings through costly treatments and cause distress sales of assets.

For Africa to raise agricultural productivity sufficiently to support overall growth and provide a remunerative livelihood for those working in the sector, farming must shift rapidly from being an occupation of last resort and low productivity to one of technical dynamism and recognized opportunity (see box O.6 for a discussion of the link between productivity and jobs in agriculture). With much higher priority accorded to well-designed programs of public investment in agriculture, continued progress on regulatory and policy reform, and some attention to including young people, agriculture could absorb the large numbers of new job seekers and offer meaningful work with large public and private benefits.

Broadly speaking, three pathways are available for rural youth in agriculture: (1) full-time work on family farms, (2) part-time farm work, combined with running a household enterprise, which can include the sale of farm services or inputs, and (3) wage work. To increase the productivity of these pathways to agricultural employment, constraints need to be relaxed in at least four areas: credit and financial services, land policies, infrastructure, and skills.

Credit and Financial Services

Because they work in a risky environment and lack collateral, rural households face major constraints in obtaining capital and credit. Traditional financial institutions do not find it profitable to provide agricultural credit. Instead, various nongovernmental organizations (NGOs) and banks have been innovating with new instruments and institutions, some of which look promising. First started in Niger in 1991, village savings and loan associations (VSLAs)—where members save on a regular basis and lend money on terms determined by the group—have spread to 39, mostly African, countries. They hold great potential for assisting young people to save the funds to invest in a farm and to get access to credit, while also benefiting from the mentoring and access to information that come from being a member. VSLAs could help youth in rural areas to establish themselves in agriculture as well as in nonagriculture sectors.

Various institutional arrangements and incentive schemes can also widen access to credit. Examples include different forms of collateral (chattel mortgages and others), leasing (which requires no collateral, such as the DFCU Leasing Company in Uganda), linking credit to extension services (thereby addressing multiple constraints simultaneously, because young people also need information), and contract farming (in which the wholesaler provides credit for inputs).

None of these innovations in rural finance is exclusively for young people. Nor should

Box O.6

Does labor need to move out of agriculture as productivity grows?

If Africa's farms get bigger as productivity grows, will workers be pushed out of the sector and have nowhere to go? Some observers have raised this concern, and it is understandable. In other parts of the world, growth in productivity has been accompanied by an increase in farm size, a reduction in labor intensity, and the exit of labor from agriculture.

Africa's endowment of land and labor and its recent history offer perspectives to quell this concern. If land is available and crop area is still expanding, increased farm size need not displace labor, especially where the cost of capital to invest in mechanization is high. As shown in table BO.6.1, between 1960 and 2008, crop area in Africa expanded, the workforce in agriculture grew, and output per worker increased despite the larger number of workers per hectare. During the later years, from 1990 to 2008, the pace of growth in the labor force slowed relative to the expansion of land, and output per worker continued to increase.

Africa's farms can grow in number, size, and productivity without displacing labor. The subcontinent's experience with structural change in the twenty-first century is not likely to replicate the experience in other regions in earlier times. The current context is one of high global food prices, huge potential for growth in area and yield, few nontradable manufactured goods, and shifts in comparative advantage in the developed world in favor of technology-intensive services and products. The cost of capital in Africa remains high, reflecting low saving rates, high costs of doing business, and rising demand for capital-intensive infrastructure investments. Agriculture's share in African GDP (and ability to employ labor) therefore could remain steady or even grow, rather than shrink, with development. Reserves of good land, abundant water, and an energetic young labor force are tremendous assets at a time when the global economy urgently needs more food and fiber. Whether Africa can use these assets productively depends on finding ways to ease the constraints on access to land and address the barriers to agricultural growth highlighted in this report.

Table BO.6.1 Increase in crop area harvested, agricultural labor force, and output per worker in Sub-Saharan Africa, 1960–2008 and 1990–2008

% increase

Indicator	1960–2008	1990–2008
Crop area harvested	42	20
Agricultural labor force	125	21
Output per worker	21	9

Source: Fuglie and Rada 2013.

young people be segregated as a group and offered financial services designed specifically for them. The risks of working with this client base are high, and separating young people from a larger pool for sharing risks would make them even less attractive to financial institutions. A better approach is to support a range of innovations in finance that facilitate outreach to small farmers and rural entrepreneurs. When necessary, additional features should be added to enhance the ability of these programs to serve young people.

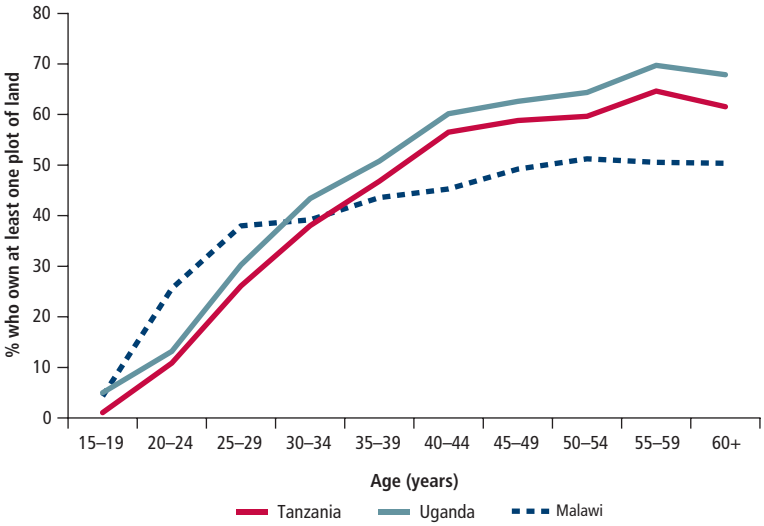
Land Policies

Insecure and unclear land rights, as well as constraints on renting or otherwise using land, pose problems for young people in agriculture. Some young people own land (albeit small plots), but ownership is strongly concentrated among older adults (figure O.8).

The problem of insecure and unclear land rights can be addressed by developing an inventory of registered land and improving land registration. Geographic information systems have made this process increasingly practical. Tenure security is also reinforced by improving land titling procedures. When farmers know that their land rights are secure, they are more likely to invest in improving their land. A recent impact evaluation of a land registration pilot in Rwanda shows that more secure land tenure increased investments in soil improvement by 9 percent among male farmers and 18 percent among female farmers (Ayalew Ali, Deininger, and Goldstein 2011).

Once land is registered and titled, land rental markets can develop. Land rental markets have been shown to promote commercial farming in Ghana and to encourage the transfer of land to smaller-scale farmers in Sudan. By contrast,

Figure O.8 Young people are unlikely to own land



Source: Based on data from the World Bank's Living Standards Measurement Study, Integrated Surveys for Agriculture (2011 in Malawi, 2010 in Tanzania and Uganda).

restrictions on land rental markets have inhibited both the farm and nonfarm sectors, discouraging people with land from taking jobs in the nonfarm sector for fear of losing their land.

Agribusiness can increase productivity, and parts of Africa, especially the Guinea savannah, have huge potential for commercial agriculture on both large and small farms (Morris, Binswanger-Mkhize, and Byerlee 2009). Large commercial landholdings and agribusiness may prove politically contentious, however. How large farms are integrated into a diverse farm structure and how smallholders are compensated for land that they make available to large commercial operators are critical issues to resolve. Other ways of aggregating smallholders, such as producer associations or contract farming, could also be practical approaches for improving productivity when increasing the scale of production will contribute to lower costs.

Infrastructure

In some—but not all—cases, investments in rural infrastructure can have huge rates of return. Typically such investments occur in more densely populated areas (World Bank 2008), but even here, investments should be evaluated case by case and not accepted across the board. For example, paved rural roads are not always a good investment, especially in areas where motorized traffic is low. Paved roads are more expensive to maintain, so maintenance is often not funded; another issue is that roads are prone to becoming tools of political patronage (Raballand and Macchi 2009).

Skills

Given their low levels of formal education (figure O.7), youth in rural areas can increase their productivity with more and better schooling. In turn, higher productivity increases demand for schooling, triggering a virtuous cycle. The evidence used to identify externalities in education usually comes from agriculture: farmers learn from neighboring farmers, especially more educated ones, who are also more likely to adopt new technologies (Conley and Udry 2010; Rosenzweig 2012). All of these effects apply more strongly to young farmers.

In addition to basic education, high-productivity farming requires specific skills, such as skills in processing, marketing, machinery operation and repair, transport, logistics, and quality control. In some countries, agricultural vocational training institutes (some of which are associated with universities) traditionally have provided these skills. These institutes have a mixed track record, mostly owing to the disconnect between academic, lecture-style teaching and the need for on-the-ground, practical training.

Agricultural extension programs have a disappointing history in Africa, mainly because of poor incentives and accountability. Better results are coming from new programs that empower farmers by giving them a choice of providers and services from among a range of public, private, and nongovernmental agencies. Another approach, farmer field schools, involves participatory methods of learning, technology development, and dissemination and appears to be especially successful in building women's skills. Business incubators and rural alliances that bring together commercial buyers with producer organizations are further ways of boosting agricultural incomes. In all

such efforts, the use of information and communication technology can benefit, and benefit from, the participation of young people.

Increasing the Productivity of Nonfarm Household Enterprises

The majority of people who work outside the farm sector are engaged in informal, household enterprises. Often such an enterprise is one pillar of a diversified livelihood strategy: Many households are engaged in the farm and nonfarm sectors at the same time (30–50 percent of rural households have a nonfarm HE). In urban areas, many households with an enterprise have a family member earning a wage income, a pattern that is likely to increase over time (Fox and Sohnesen 2012).

Although their productivity is relatively low, HEs provide earnings that are usually higher than anything their owners could obtain in the agriculture sector. Most HEs have no employees and are pure self-employment. Few include a family member as additional labor, and only 10 percent hire outside the family. Some are started in response to a local business opportunity (such as increased demand for a service), whereas others are started because the household lacks alternative means to earn a living.

What do HEs do? They mostly sell services (hairdressing, repairs) and internationally and locally produced consumer goods (used clothing, household supplies, vegetables, eggs). They also contribute to the industrial sector, transforming agricultural goods or natural resources into charcoal, bricks, iron work, or processed grain. Some pursue artisanal activities such as woodworking, dressmaking and tailoring, and construction.

HEs sell low-cost goods and services mainly for the local market, which lacks a modern service sector. In urban areas, the traders and hawkers substitute for convenience stores and shopping malls. The low-quality manufactured goods these enterprises produce, such as homemade bricks and furniture, eventually are replaced by higher-quality locally produced goods (made in brick and furniture factories) and imports. As a result, HEs that are involved in manufacturing do not persist as long as HEs that provide services.

Historically, HEs have tended to remain tiny or to disappear; very few grow into even small or medium enterprises. Data from West Africa show that, even after 10 years of operation, the capital stock of these businesses remains the same. Most enterprises never hire another worker. So the employment they provide, including the employment for young people, comes from seizing a business opportunity and starting a new enterprise.

Despite their small scale, HEs are an instrument for reducing poverty in Africa, with the potential for becoming an even more powerful one. They tend to be found in richer areas. Households with enterprises are less likely to be poor and are clustered in the middle quintiles of the income distribution. Rural households gain a higher hourly income from HEs than from agricultural work. In urban areas, some HE owners make more money than they would from a wage job. In fact, controlling for education and skills, the reported consumption of rural and urban households with an HE in Africa is no different from that of households in wage employment (Fox and Sohnesen 2012). Indeed, they also report being "happier" (Falco et al. 2013).

Most governments continue to ignore, neglect, or undermine the potential of this sector. Hawkers and sellers are regarded as an unattractive annoyance to be chased out of the business districts in capital cities. Advocates of formal employment criticize HEs for not offering the benefits and security of a wage job. Thinking that HEs can be transformed into small and medium enterprises—for which they have a strategy—governments try to formalize these informal enterprises. This transformation rarely takes place, however, because this is not the intention of the owners. Lacking support, HEs just try to survive. In Tanzania, the law prohibits businesses from operating without fixed premises, but it does not stop the government from collecting taxes and fees from those same enterprises. (This describes 80 percent of HEs.)

By contrast, Ghana, a country with a rich trading history dating to precolonial times, explicitly incorporates HEs in its strategy documents and the institutions that implement them. In 2006 the government established an objective to "enhance productivity and income/wages … in all sectors of the economy, including the informal economy" (Republic of Ghana 2006). The Trade Union Congress supports the development of HE organizations and their integration into the consultative mechanisms between government and the private sector.

To realize the potential of the HE sector for productive youth employment, national strategies that recognize the sector's potential and propose a supportive policy framework need to be developed. Such strategies should endorse the creation of independent HE associations to reduce the costs of reaching individual enterprises and to give this sector a voice in government decision making. Local interventions need to address three key areas: the local business climate in urban areas, access to credit and financial services, and skills.

Urban Policy

One of the most frequently cited constraints on the productivity of urban HEs is the lack of access to space and sometimes outright harassment, legal and extralegal, by local authorities. Insecurity of premises discourages entry (the main form of growth in this sector) as well as investment in the enterprise. Governments can help rather than hurt this sector by incorporating the growth of HEs in planning processes. Without planning, traders and vendors crowd sidewalks and roads, leading to massive congestion. Usually the situation escalates to a crisis, and authorities use police or security forces to "decongest" the city. Because the eviction policy is rarely permanent, the cycle usually resumes. If governments had planned for the growth of HEs and provided adequate space for them in the key areas of foot traffic in the city, employment growth and social stability would have followed.

Alongside planning, national policy makers can clarify land rights in urban jurisdictions, giving local governments scope to provide HEs with locations to operate. Overlapping land regulations and responsibilities make it difficult to implement the law—if there is one. For example, in Dar es Salaam, Tanzania, local governments are not empowered to decide whether hawkers can use the land next to national roads. Just as land rental markets can facilitate access to agricultural land, they can facilitate access to space for HEs to do business.

In addition to secure space, HEs need services, such as security, sanitation, electricity, transport, and water supply. For the most part, they are willing to pay for these services (and do pay for them) through fees and taxes. In fact, HEs pay local business taxes at a higher rate than large businesses but often fail to receive any services. HEs have little leverage to improve this situation (Fox and Sohnesen 2012). Local authorities are not accountable to HEs, because ineffective political decentralization and weak legal status deprive HEs of a voice in local governance.

Credit and Financial Services

Lacking access to formal sources of finance, young people struggle to raise capital to start and operate a business. The problem is exacerbated by the fact that business and household finances are linked, so that lumpy household expenditures (school fees, repairs, and so on) and external shocks (family illness) spill over to the business. Virtually all HEs in Africa today report that their own funds or loans from friends and relatives enabled them to start their businesses, and the overwhelming majority of existing businesses report that they did not obtain any type of loan over the last 12 months. An expansion of credit cannot make up this gap and may even make it worse, as recent experiences in India have shown. To use credit effectively, a borrower has to be able to put aside money regularly to service the loan. For this purpose, the establishment of a savings mechanism is critical.

At the root of the credit problem for HEs is the lack of financial inclusion among households in Africa (World Bank 2014). Households not only lack sources of credit but also have difficulty finding reliable places to safeguard their savings. As a result, it is challenging for them to accumulate the funds to start or expand a business. This problem is especially acute for youth and for females. Research has shown that

access to a secure place for savings is particularly important for women's ability to build up savings for a business (Dupas and Robinson 2013).

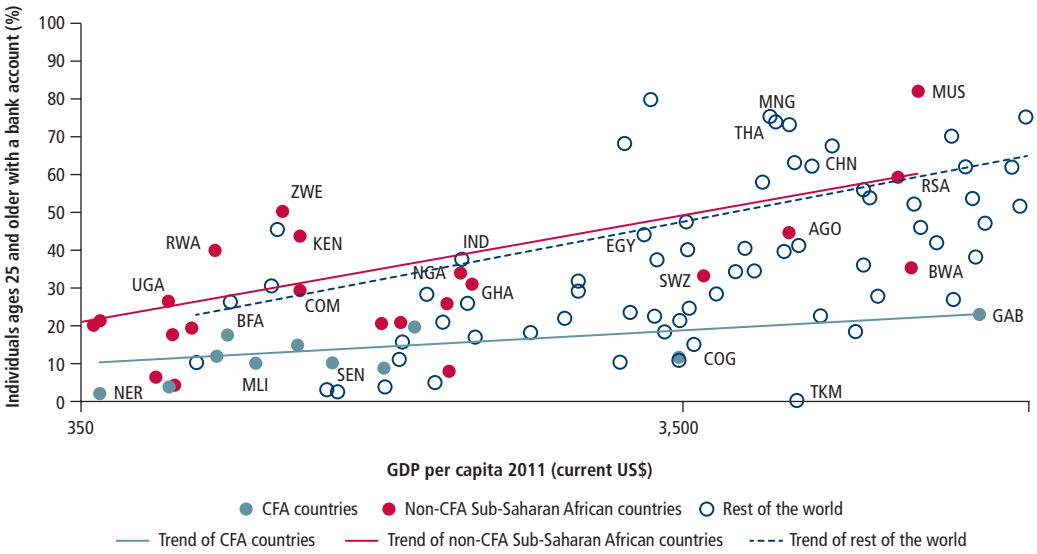
The challenge of providing access to financial services for poor people is a common one. Because of economies of scale, the spread of formal banking services (banks, postal savings, formal savings institutions other than banks) usually rises with income and urbanization—banks go where the money is. But this is not the whole story in Africa. FINDEX data show that even at the same level of income per capita, national policies can produce very different results (figure O.9). Low- and lower-middle-income countries such as Ghana, Kenya, and Rwanda have achieved greater financial access than other African and non-African countries at similar income levels. They have done so primarily by reducing the costs of serving small savers and those in remote areas.

In Kenya, banking access increased through the pioneering use of mobile banking technology. By increasing branchless banking, mobile banking allows accounts to be maintained at relatively little cost to savers and borrowers. Today, about half of the adult population of Kenya uses mobile banking. In Rwanda, government provided incentives for banks to develop low-cost products for small savers and for households to use banks by channeling payments to households through banks, including microfinance banks with a client base among lower-income households.[4] Ghana developed a system of rural banks to process payments to cocoa farmers; today these banks provide low-cost accounts in rural areas. Ghana and Rwanda are both encouraging the spread of mobile banking to further widen access to financial services. Countries in the Western and Central African monetary unions using the CFA currency (UEMOA and CEMAC) are also changing their regulations to foster more inclusion. Benin, which encouraged the establishment of microfinance institutions, was an early mover in this group.

Skills

Training can help to structure a pathway to youth employment in HEs. Training programs—both for entry and for improving incomes and sustainability—are the most commonly provided government and donor intervention to support HEs, whether or not they target youth. Programs provide (1) technical training in a specific sector (such as tailoring, metalworking, operating a bakery); (2) business

Figure O.9 **At the same level of income per capita, national policies can produce very different levels of financial inclusion**



Source: Based on Global Financial Inclusion (Global Findex) Database, World Bank, Washington, DC, http://www.worldbank.org/globalfinder
Note: The x axis of this figure is on a log scale.

skills or financial literacy (such as basic accounting or money management); (3) behavioral and life skills; or (4) a mix of these skills. Programs specifically intended for youth focus primarily on providing the skills needed to enter the HE sector and have included all four types of training. Programs targeted at existing HEs tend to focus more on business skills to strengthen or expand HEs.

The good news for youth employment is that programs designed to facilitate entry (versus those focusing on productivity) appear to have had some success, so positive models are emerging. Apprenticeships and on-the-job training can help young people, provided that these programs are closely tied to market signals. For this reason, private providers, including existing businesses, are often the best source for this training. Youth often face multiple constraints in entering the HE sector, and the most promising pilots are delivering interventions that tackle multiple constraints (offering behavioral, business, or technical skills training together, or combining training with measures to tackle credit constraints through savings groups, grants, and other means). Many of these "bundled" interventions have been expensive, however, and they are yet to scale up in Africa.

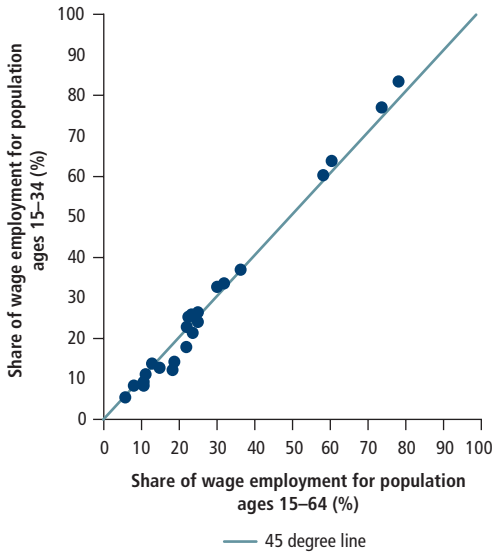
Overall, despite the large number of training programs, evidence of their effectiveness in the HE sector in Africa remains thin. More systematic use of careful evaluations is clearly required, including impact evaluations that measure outcomes among program participants and compare them to a relevant group of nonparticipants. At the very minimum, governments should encourage all programs to track and report outcomes. At the same time, governments should not attempt to deliver training directly but rather focus their efforts on market-enhancing programs that disseminate information about training opportunities and enable disadvantaged youth to access training that is already available.

Improving Competitiveness to Boost Modern Sector Wage Jobs

Although small (16 percent of the labor force), the formal wage employment sector represents the engine for employment and growth in the medium to long term for Africa. No country has developed without this sector coming to dominate employment. This is the sector that can exploit economies of scale and produce for export. The multiplier effects to the household economy from the creation of wage jobs are strong. Most secondary-school graduates aspire to work in this sector. When these aspirations are not fulfilled and graduates must resort to working in the household enterprise sector, for example, the risks for social instability and political violence are high. While Africa's young people seem to have no special advantage or disadvantage when it comes to modern wage employment, they remain a consistent share of that employment when it grows (figure O.10).

The modern wage sector has been creating jobs at a fairly rapid pace in Sub-Saharan Africa—usually faster than GDP growth. The problem is that the sector has grown from such a small base that it still cannot absorb the millions of young people entering the labor force every year. To generate jobs at a rate that is commensurate with growth in the labor force, the export-oriented enterprises—with their potential to sell to global markets—will have

Figure O.10 **The share of youth in wage employment tracks the share in the general population**



Source: Based on household and labor force surveys (most recent data available).

to be the engine for job creation in this sector. Since most African economies are small, access to external markets is the key to unleashing the modern wage sector's full potential. The scope for trade is wide. Even services are traded internationally, although these tend to call for relatively high-level skills still lacking in much of Sub-Saharan Africa. Moreover, the employment effects of trade go beyond exporting firms, as rising demand from the export sector—for inputs, consumer goods, and services—increases opportunities in other parts of the economy.

What factors are constraining export-oriented enterprises in Africa today? The main constraint on the growth of an export-oriented sector in Africa is low productivity.

The underlying causes are not identical across the continent, even if they have similar effects. In some countries, the cost of complementary inputs to labor (electricity, overland transport, and so on) is too high. Clearly, the cost of transporting goods across borders is prohibitively high in the region, and the need for better transport infrastructure, simpler customs procedures, and expedited inland border crossings is acute. In other countries, bureaucratic red tape delays investors' access to land or permits. The high costs of financial intermediation are starving firms and entrepreneurs of the capital needed to implement good ideas. In many countries, poor connectivity has fragmented local markets, suppressing competition and reducing the pressure to improve productivity. These business climate issues would be a problem for productivity (and hence, youth employment) even if firms only produced for domestic markets.

What can be done to increase Africa's low labor productivity? The entire business climate comes into play here, with some exceptions. For example, labor market regulations—considered an important determinant of productivity elsewhere—do not play a major role in Africa, except for South Africa. In many settings, regulations may exist on the books, but they are rarely enforced.

Infrastructure and the Business Climate

Infrastructure is a major problem, but building new infrastructure may not be the solution. Infrastructure policies and regulations block firms' access to infrastructure services, and building infrastructure without improving policies and institutions is unlikely to solve the problem. Conversely, improving policies such as electricity and water tariffs or trucking regulations can go a long way to improving services and attracting the private sector.

Expensive or limited financing prevents firms from investing to improve productivity and also keeps productive firms from growing. Banks in Africa set high collateral requirements and high risk premiums partly because they lack the credit information systems that help lenders to evaluate prospective customers. This problem can be addressed by policy and regulatory reform. Africa also needs better, well-enforced creditor rights, which will ease lending by providing protection for lenders when borrowers default. Improved creditor rights and contract enforcement will also allow borrowers to use a broader range of assets as collateral.

In developed economies, innovative new firms are constantly emerging and growing, while unproductive incumbents are leaving. This churning is a major source of aggregate productivity and employment growth in the modern wage sector. In Africa, this process is held back not only by financial constraints on entrepreneurs but also by difficult formal requirements for business entry or expansion. Governance issues, such as corruption in the granting of business licenses and other permits, hamper this process as well.

In short, the constraints to Africa's productivity are a combination of market and government failures. Government failures in particular either have been difficult to rectify—especially when they require economywide policies such as deregulation or tariff reform—or, when implemented, have not delivered results. Vested interests inside and outside government can prevent reforms or their implementation. Analysis of Ethiopia's light manufacturing sector shows that the leather goods industry could create 90,000 jobs (it currently employs 5,000). To unleash this potential, value-chain analysis shows that the government has to remove a series of policy-induced constraints, such as trade restrictions, anticompetitive practices,

and financial regulations that affect the sector (Dinh et al. 2012). The scale of such a reform means that it could take some time.

A complementary approach is to create a localized environment—say, a special economic zone (SEZ), with the requisite infrastructure and deregulation—in which industries that could benefit from proximity can cluster and flourish. The government provides land and functioning infrastructure services for the SEZ. Although in China this approach attracted foreign investment and know-how and helped China to become an export manufacturing powerhouse, it has not yet been implemented successfully in Africa.

Besides giving careful thought to the design and implementation of these interventions, policy makers must evaluate each one in terms of its susceptibility to political capture, which plagued industrial policy when it was last attempted on a large scale in Africa. Any subsidy creates a rent. Politically powerful interests, if they capture those rents, will resist efforts to reduce them, even though that step is necessary for industries to compete in world markets.

Skills

Is demand for secondary-school graduates simply insufficient in Africa's modern wage sector, or is there a skills mismatch? In fact, both of these problems appear to be present. Secondary and post-secondary graduates say they have trouble finding a job because of lack of demand. There is a much larger supply of labor for unskilled (factory floor) jobs than for skilled jobs as mechanics and factory engineers or for office jobs as accountants and managers. Meanwhile, employers are requesting permits to import experienced skilled labor. Graduates at all levels without technical training and some work experience (where they can acquire and demonstrate the equally valuable "soft" skills) face an especially crowded job market, reflecting an "aspirational" mismatch as much as a skills mismatch.

As with the farm and HE sectors, perhaps the most important step toward resolving these problems in the modern wage sector is to get basic schooling right. Foundational skills are important for all types of wage workers, partly because they facilitate further training and on-the-job learning in firms.

To avoid creating more unemployable university graduates, higher education policies and curriculums also need to be geared toward private demand. Financing in public universities should include a private component (especially for those who can pay), so that signals from the private sector are received (Devarajan, Monga, and Zongo 2011). Such a shift would improve equity in access to higher education as tuition payments become means-tested rather than free across the board. Also, those who pay will demand value for money.

The Sub-Saharan African experience with technical vocational education and training (TVET) has been disappointing. Secondary and post-secondary vocational training costs at least three times more than basic secondary education, yet often provides no better foundation for private sector jobs. Training in government-run programs has not been geared to private sector needs.

Governments in Sub-Saharan Africa should focus on support for public goods in TVET such as quality assurance and information. To promote access to training for poor and disadvantaged youth, governments should provide financial support for training in either the public or the private sector. Information about the returns to alternative training options can help to align young people's training choices with the realities of the labor market. To the extent that governments support specific training options, those options should emphasize portable skills rather than the firm- or job-specific skills that employers should already have an incentive to provide. They should ensure that programs are closely linked to the private sector, potentially through public-private partnerships. Programs for disadvantaged youth that integrate training with internships show promise.

The visibly poor management practices in African firms suggest considerable scope for improving productivity by investing in business and management skills training and perhaps even in individualized management consulting. The evidence for such programs is mixed but promising, and governments should

consider testing and refining them through careful piloting.

Building an Effective Youth Employment Policy

The challenge of youth employment in Africa is not amenable to simple solutions. It reflects the challenges and opportunities of countries themselves in a globalized world. The key employment issue is that productivity, and therefore earnings, are low, while aspirations, especially those of youth, are high—and perhaps higher than those of their parents. Despite progress in many countries, most youth in Africa today will not have an easy or structured path to a sustainable livelihood, one of the core aspects of adulthood. All stakeholders—governments, private firms, private and nongovernmental training providers, and young people themselves—have a role to play in supporting this transition.

Progress requires a comprehensive approach to relieve the constraints on human capital and the business environment that prevent the private sector from seizing opportunities and increasing productivity in agriculture, HEs, and the modern wage sector. Governments need to take a holistic view of how to address the situation—they need to "own" the whole problem.

A common tendency is to perceive government-provided technical and vocational skills training as the key. But such action, by itself, will not address the more fundamental problems. Government intervention should focus on public goods—those things that will support higher productivity in the economic activities of households and enterprises. Specific actions can relieve the most pressing constraints in the short term, such as increasing access to finance for HEs as well as modern firms; improving access to land and technology for young people to expand earnings in agriculture; building supportive infrastructure that enables all enterprises to be more productive; and opening access to regional markets so that firms can broaden the reach of their products. Table O.1 summarizes the priority actions.

It is equally urgent to undertake other actions to address constraints that will only yield payoffs in the medium term. For example, improvements in basic education, the foundation for developing all other skills, will take time to translate into higher productivity and better youth employment outcomes. Reforms to the business climate will require sustained effort, and it may take time for investors to respond. But policy makers must rise to these urgent challenges. Failure to act now means that future cohorts of young people may also lack clear pathways to productive work.

These priorities are, of course, only a general guide. Addressing the challenge in any given country will require a country-specific analysis. The framework put forward in this report, the general diagnostics that it provides, and the evidence that it marshals to illustrate successful or promising approaches provide a foundation for such an analysis and indicate policy directions to pursue. But a country-based analysis is required to address the specific local issues surrounding the following questions: What is constraining earnings growth in agriculture, HEs, and the modern wage sector? Why is it hard for youth to start HEs and work productively in them? Why isn't private investment in labor-intensive firms flowing in to increase the number of modern wage jobs on offer? What can and should government, NGOs, and other private sector actors do to ease the constraints that youth face in making the transition to productive employment?

The basis for a successful country-specific analysis will be more and better data on employment; such data are currently sparse and often of low quality (see the discussion in Fox and Pimhidzai 2013). The basis for building a much better evidence base of which approaches are potentially effective and cost-effective will be more experimentation with promising interventions—and careful evaluation of their impacts.

At its core, the youth employment challenge is closely aligned with the challenge of promoting inclusive growth, defined not only as growth in which the poorest segments of society share but also as growth in which young

Table O.1 Priority actions to take now to address the youth employment challenge

Area for intervention	"Do now for now": Actions to affect the current cohort of youth	"Do now for later": Actions to affect future cohorts of youth
Agriculture	1. Enable rental markets for land 2. Pilot intergenerational land transfer programs 3. Support high-quality, demand-driven extension services (covering information as well as skills) 4. Link agricultural credit to extension services	1. Establish effective land registration and transaction systems 2. Scale up intergenerational land transfer programs, based on lessons from pilot programs 3. Mainstream youth into smart interventions aimed at increasing productivity (producer organizations, livestock development, irrigation, and others) 4. Build skills through rapid improvements in education systems in rural areas
Agriculture and household enterprises	5. Promote rural village savings and loan associations and self-help groups 6. Enable financial inclusion for households 7. Use safety net programs as a platform to deliver interventions to disadvantaged youth	
Household enterprises	8. Develop a national strategy for household enterprises that reflects the voice of their owners and youth 9. Ensure access to workspace and infrastructure for household enterprises through improved urban policy 10. Leverage nongovernmental organizations 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)	5. Build foundational skills through rapid improvements in education systems 6. Address infrastructure needs of household enterprises in urban development planning
Modern wage sector	11. Reduce the cost of infrastructure services by addressing quality and efficiency 12. Address logistics bottlenecks 13. Reduce corruption and the cost of business start-up 14. Reform technical and vocational education and training and pursue public-private partnerships for delivering demand-driven training	7. Increase the quantity of infrastructure services 8. Expand regional markets for products 9. Build foundational skills through rapid improvements in education systems 10. Improve access to credit through financial sector reform
Cross-cutting areas	15. Increase awareness of opportunities and pathways to self-employment, especially for young women 16. Consider second-chance education for basic skills	11. Promote early child development and nutrition to build a stronger foundation for skills development 12. Build behavioral skills (consider reforms within the school system) 13. Reduce fertility rates to lower the size of future youth cohorts (through more girls' education, improved maternal and child health, increased access to family planning) 14. Build better employment data and a stronger evidence base to identify country constraints, priorities, and opportunities

people's vitality is harnessed and rewarded. For African countries that meet this challenge, the benefits will build on each other. The demographic dividend will yield returns, and Africa's prosperity will grow and be shared.

Notes

1. Defined as having no work at all in the last seven days and actively looking for work (ILO 1982).
2. In Botswana form-two and in South Africa grade-nine students were tested, corresponding to nine years of schooling; in Ghana junior high school form-two students were tested, corresponding to eight years of schooling.
3. See www.sdindicators.org.
4. A similar approach was used in Mongolia.

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