Opportunities and Challenges for Youth Employment in Africa

Two trends are converging in Africa, with potentially profound effects on how Africa’s economy will grow and where it will create jobs. First, Africa’s economies, spurred by high prices for primary export commodities, are growing again after a hiatus of many decades. Output is shifting out of agriculture and largely into services, and employment is shifting slowly toward services. The second trend is that Africa’s rapidly growing population will constitute the world’s largest reservoir of working-age individuals for generations to come, and the majority of this population will be young. These trends mean that the structure of employment will continue to change in Africa, but the transformation will be slow.

Africa stands to gain economically, socially, and substantially from channeling the energy of its young labor force into more productive employment. The challenge is large and demands immediate attention, but it can be met. Industry—especially export manufacturing—has been a vibrant source of wage jobs in other regions, most notably East Asia. In Africa, industry is in the very early stages of development. It needs time and the right policy environment to grow. Governments must also focus on tapping the more immediate potential for productive employment in agriculture and household enterprises. This report assesses the specific challenges and opportunities related to youth employment on farms, in nonfarm household enterprises, and in modern wage jobs. It examines these issues and possible interventions in light of two types of binding constraints to higher productivity for young people in those sectors: constraints related to human capital and constraints related to the business environment.

Africa’s Working-Age Population: Very Young and Growing Rapidly

The median person in Africa is 18 years old—7 years younger than the median age in South

Throughout this report, “Africa” is shorthand for “Sub-Saharan Africa.” In particular instances, “Sub-Saharan Africa” is retained to clarify comparisons across regions or to indicate a specific data set.
Asia, which is the next youngest region (figure 1.1). In other words, fully half of Africa’s population is under 18 years old. Africa will remain the youngest region in the world in the decades to come, and the age gap with other regions will increase. According to projections by the United Nations, the median age in Africa will increase only to 21 in 2035 and to 24 in 2050. In other regions of the world, the median person in 2050 will be more than 35 years old—almost 45 in East Asia and the Pacific.

In Africa, the population structure resembles an Egyptian pyramid, with a narrow top and a wide base (figure 1.2). The wide base is Africa’s “youth bulge”—Africa has twice as many 15-year-olds as 35-year-olds. In other regions of the world, the structure is elongated, reflecting a more even distribution across age groups. South Asia’s demographic profile is closest to Africa’s, whereas in East Asia and the Pacific, the pyramid is inverted, with a greater number of older than younger people. Projections suggest that the shape of the pyramid in Africa will remain as it is in the near future—just with more people at each age.

These population trends suggest that the number of young people entering Africa’s working-age population will be rising for years to come. The United Nations estimates that in 2015 Sub-Saharan Africa will have 193 million people between the ages of 15 and 24; by 2035, it will have 295 million, and by 2050, 362 million (figure 1.3). Each year between 2015 and 2035, there will be half a million more 15-year-olds than the year before. This rapid increase contrasts starkly with the Middle East and North Africa, where increases in the size of this cohort have steadied, and even with East Asia, where numbers are dominated by China and the size of this cohort is expected to fall from 350 million in 2010 to 225 million by 2050.1 In South Asia, the size of the cohort is expected to increase, and then begin to decline after 2030.

**Can Africa’s Youth Bring an Economic Advantage?**

Africa’s young and growing working-age population compels attention for many reasons, not least because a rapidly expanding working-age population spearheaded the economic transformation that occurred in East Asia and the Pacific between 1965 and 1990. Over that period, the working-age population in East Asia and the Pacific rose by almost 500 million (from 541 million to 1.039 billion). More crucially, the number of “dependents” (ages 0–14 and 65 and over) increased by only 143 million (from 437 million to 580 million). The region had just over one working-age adult for each dependent in 1965, but by 1990 almost two working-age adults supported each dependent (figure 1.4). During those years, gross domestic product (GDP) per capita in East Asia and the Pacific increased from around US$1,300 to US$3,300. Based on cross-country analysis of the relationship between growth rates and the changing structure of the population, analysts have attributed one-third to half of East Asia’s economic growth to changes in demography (Bloom and Williamson 1998; Bloom, Canning, and Malaney 2000).

East Asia’s “demographic dividend” is argued to have transformed the economy through two main channels. The first was the increased availability of workers. More workers mean more output, and if there are more workers relative to the population, then output per capita will rise. The second channel was the continued expansion of the working-age population relative to the population as a
For Africa to realize a demographic dividend of its own, it is not enough to have a large working-age population; fertility rates need to fall. Unless the number of dependents per working-age adult decreases rapidly, the potential benefits of a changing population structure will not materialize. The rapid change in the ratio between the two groups (illustrated in figure 1.4) was critical for the boom in productivity in East Asia and the Pacific (Bloom and Williamson 1998).

Historically, declines in child mortality have preceded declines in fertility—a sequence that creates a true youth bulge (a bulge that is followed by a decline in the youth population once the number of children born falls). In Africa, child mortality has declined dramati-
Two important differences help to explain why the changing population structure in South Asia and Latin America has not translated into a demographic dividend. First, the rate of increase has been much slower in those regions than in East Asia (where the ratio increased from 1.1 in 1970 to 1.8 by 1990). Second, as noted in the seminal analysis of the demographic dividend, East Asians had “the social, economic, and political institutions and policies that allowed them to realize the growth potential created by the transition” (Bloom and Williamson 1998).

Recent analysis has pointed to the economic threat posed in Africa by a growing population, low savings rate, and low productivity, which could mean a limited demographic dividend (Eastwood and Lipton 2011). An economic environment that is conducive to investment and growth—into which the population, with its large cohorts of young people, will arrive and find productive employment—is vital for Africa’s growing labor force to have a positive effect on economic and social development. The next section discusses in some detail the types of jobs that exist and are likely to exist in Africa, because overall employment is a precondition of youth employment (see box 1.1). As chapter 2 discusses, young people have unclear and constrained pathways to productive work, and as the subsequent chapters in this report show, a range of policies will be necessary to enhance those pathways.

What Is a Job, and Where Do Most Africans Find One?

In assessing the challenges of youth employment in Africa, it is important to take stock of what it means to have a job and to have employment. To many, having a job is synonymous with having a wage or salaried position with an employer (see quote at left). The majority of work in Africa is not structured in such a 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” (World Bank 2012e). This includes part- or full-time in-household economic activities, such as subsistence farming, regardless of whether anything is ever sold. That report also notes that not all forms of work can be considered jobs. Examples include activities that are performed against the will of the worker and activities that violate basic human rights.

In many countries, including in Africa, people report that jobs have a broader importance beyond the income they provide (see focus note 1). Jobs can convey identity, status, and self-confidence; they can contribute to an individual’s overall life satisfaction. Some jobs contribute to these dimensions of well-being more than others. The type of job, working conditions, contract, benefits, and safety and security at work all matter. Jobs also influence social cohesion by shaping individuals’ identities and relations to one another and bringing them together in networks. The distribution of jobs within society and 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.

In Africa, the vast majority of work takes place in agriculture. 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. Data from recently collected household surveys indicate that the share consumed is around 50 percent, compared with 20–30 percent outside of Africa (Losch, Freguin-Gresh, and White 2013).

Others find employment in household enterprises (HEs), which are unincorporated, nonfarm businesses owned by households. They include self-employed people who run a business that may employ family members without pay but also self-employed people who run a business that employs a small number of nonfamily workers on a casual basis.
The vast majority (70 percent) of nonfarm HEs 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 Africa, roughly half of wage employment is in the public sector. This report focuses only on the private sector, where the potential for job growth is greatest.

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

Since 2000, Africa has seen more than a decade of economic growth, the longest continuous expansion in more than 50 years. Until the 2008–09 global economic crisis, Africa’s GDP grew relatively rapidly, averaging 5 percent a year, and growth had resumed by 2010 (figure 1.6). Between 1998 and 2008, mineral-exporting countries experienced an exceptionally steep rise in GDP; 22 countries that are not oil producers averaged 4 percent growth or higher (Chuhan-Pole and Angwafo 2011). The flow of private capital to Africa now exceeds the flow of foreign aid. As a result, the structure of output has changed: the share of GDP generated by agriculture is falling, and the share generated by industry and services is rising. By 2010, agriculture’s share in GDP had fallen to 30 percent in low-income countries and 16 percent in lower-middle-income countries, while the share of the industrial and services sectors had increased.

The drivers of this growth were economic policy reforms, which were necessitated by misguided steps taken in the past, and higher commodity prices, which produced better terms of trade (Devarajan and Fengler 2013). These two factors allowed domestic demand, especially for private sector services and construction, to power growth. Africa’s impressive growth trajectory has largely followed commodity prices, however, and African exports are still concentrated in primary commodities. In contrast, it was the rapid rise in export manufacturing that allowed East Asia to capture its demographic dividend. Over the past two decades, manufacturing’s share of GDP actually fell in Africa, while rising in Asia’s lower-income and middle-income countries (figure 1.7). Today, the share of manufactured goods in merchandise exports is 30 percent in Africa, compared with 50 percent in Latin America (another resource-rich region) and 60 percent in lower-middle-income countries on average. Manufactured exports have led growth in only one country in Africa: Mauritius. Indeed, Africa is so far behind East Asia that it will take some time to catch up.

The Structure of Employment in African Countries

Africa’s dependence on commodity exports, aid, and domestic demand as sources of growth did not lead to a major transformation in employment (figure 1.9; see box 1.2 for an explanation of how employment estimates are derived and countries are classified). Although agriculture’s share in GDP fell substantially, almost 60 percent of Africa’s labor force in 2010 still reported that agriculture was their main economic activity.
Figure 1.7 Over the past two decades, agriculture’s share in GDP contracted in Africa, but manufacturing did not replace it.

Source: World Bank various years.

Figure 1.8 Exports are a smaller share of GDP in Africa than in East Asia and a larger share than in South Asia, but African countries, even richer ones, export commodities, not manufactured goods.

Source: World Bank various years.
This result is not wholly unexpected: the transformation in labor always lags the transformation in output (more capital per worker is needed to employ people in more productive jobs). Yet the large share of the labor force in agriculture combined with the persistently low growth in agricultural productivity help to explain the continued low incomes and poverty in Africa. The data confirm that unemployment remains low, except in upper-middle-income countries and especially in South Africa, where unemployment is stubbornly high (see focus note 4).

Africa’s decade of growth was not “jobless,” but patterns of employment growth differed across countries. Growth moved away from agriculture in some countries: for example, Ghana, Nigeria, Rwanda, Tanzania, and Uganda all experienced high growth in both wage and HE employment (figure 1.10). Mineral-exporting countries such as Cameroon and Mozambique experienced job growth but saw little or no transformation of the employment structure, although the creation of nonfarm employment in Nigeria over the last decade shows that diversification is possible in an African oil-exporting country.

In rapidly growing countries where growth did not depend significantly on mineral resources, employment followed output in shifting out of agriculture—the sector with the lowest productivity—and into higher-productivity industry and services. Those countries saw nonfarm wage and salary employment in the private sector advance at a rapid pace that often surpassed growth in GDP. Most of the increase in wage employment (public and pri-
opportunities and challenges for Youth Employment in Africa

By 2010, the private sector was creating most of the wage jobs found in Africa (figure 1.11). Much of the increase in wage employment was in noncontract employment such as day labor or temporary jobs. These jobs, often called “informal wage employment,” represent about half of all nonfarm wage jobs in Africa.

Despite the recent creation of private wage jobs, the share of wage employment remains low throughout Africa, partly because the public sector shed so many jobs in the 1980s and 1990s (Fox and Gaal 2008). Although most nonfarm wage employment was found in the public sector in the 1960s and 1970s, this pattern was reversed in non–resource-rich countries during their recent growth spurt. In contrast, economies that grew through increased mineral extraction maintained the pattern: the state distributed part of the resource rents in the form of public sector jobs. The public sector continues to provide most of the wage employment in resource-rich countries, because incentives for the private sector to create employment remain weak (box 1.3).

Private nonfarm employment grew the most rapidly in the HE sector, as rural and urban households used their extra income to start businesses (figure 1.10). The data presented here are likely to understate growth in the HE sector, because they show only primary employment, when in fact a sizable share of the labor force—up to 50 percent in some countries—undertakes two or more economic activities (jobs) over a 12-month period. Particularly in rural areas, where the majority of Africa’s population still lives, a household is likely to report its HE as a secondary activity, after farming (Fox and Sohnesen 2012).

The Structure of Employment in Africa Compared with Other Regions

The share of the labor force in agriculture is not unusually high in Africa, especially in its lower-income countries. In Vietnam and the Lao People’s Democratic Republic, where per capita income just exceeds US$1,000, 50 percent or more of the labor force still works in agriculture, which is about the average for Africa’s lower-middle-income countries (table 1.1). The difference is that these East Asian countries have higher agricultural productivity, which has helped to reduce rural poverty to levels well below those in Africa. Africa and these East Asian countries may have the same share of the labor force in agriculture, but the persistently low growth in agricultural productivity in Africa prevents the African labor force from reducing poverty to the same extent as their Asian counterparts (IMF 2012). The HE sector is also large in all of the lower-income comparator countries, especially in Bangladesh, the poorest of the comparators.
The low share of the labor force in private industry is what makes the employment structure so different in low-income and lower-middle-income countries of Africa compared to the rapidly growing countries of Asia or Latin America (table 1.1). All the comparator countries except Lao PDR and Mongolia have a larger share of employment in industrial wage jobs, because they have a high number of manufacturing jobs. Clearly the importance of mineral rents in raising per capita incomes in Africa’s lower-middle-income countries contributes to this discrepancy. Resource extraction does not generate many jobs, and high resource rents can create an economic structure unfriendly to private, labor-intensive industry (Gelb 2010). The economies of Lao PDR and Mongolia, both mineral exporters in East Asia,
have structures similar to those in resource-rich African countries (figure 1.12). Even in this case, African countries with high levels of mineral exports stand out, because they have even less wage employment in industry than Lao PDR or Mongolia. Resources are not destiny, however, as Bolivia’s successful performance in export-oriented manufacturing shows.

The lack of jobs in export-oriented manufacturing is not the only factor setting Africa apart. As discussed, the labor force is growing much faster in Africa than in Asia or Latin America, making it that much harder to transform the structure of employment. For example, because Vietnam’s labor force grew at only two-thirds of the pace of Senegal’s over the last decade (2.1 versus 3.1 percent a year), every dollar invested in creating labor-intensive manufacturing jobs will have a stronger effect on the structure of employment (measured as a share of the labor force) in Vietnam than in Senegal. In other words, Senegal needs 50 percent more investment in manufacturing than Vietnam needed, just to bring its share of employment in industry to the level in Vietnam in 2008.

In sum, after a decade of growth and job creation, the majority of Africa’s labor force still works in its least productive sector—agriculture—which has yet to experience the substantial productivity growth seen in rapidly growing economies outside Africa. To create more productive employment, Africa still faces the dual challenge of increasing productivity in agriculture and diversifying employment out of agriculture.

Table 1.1 African countries have less wage employment than high-growth comparator countries

<table>
<thead>
<tr>
<th>% of employment</th>
<th>Wage job</th>
<th>Industry</th>
<th>Services</th>
<th>HE</th>
<th>Agriculture</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>12.3</td>
<td>2.3</td>
<td>10.0</td>
<td>18.3</td>
<td>69.4</td>
<td>100.0</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>25.7</td>
<td>10.8</td>
<td>14.9</td>
<td>27.7</td>
<td>46.6</td>
<td>100.0</td>
</tr>
<tr>
<td>Cambodia</td>
<td>23.3</td>
<td>11.1</td>
<td>12.2</td>
<td>21.0</td>
<td>55.7</td>
<td>100.0</td>
</tr>
<tr>
<td>Low-middle income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>13.9</td>
<td>2.0</td>
<td>11.9</td>
<td>31.1</td>
<td>55.1</td>
<td>100.0</td>
</tr>
<tr>
<td>Bolivia</td>
<td>43.0</td>
<td>12.6</td>
<td>30.4</td>
<td>28.1</td>
<td>28.9</td>
<td>100.0</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>13.5</td>
<td>5.4</td>
<td>8.1</td>
<td>19.0</td>
<td>67.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Mongolia</td>
<td>39.3</td>
<td>5.9</td>
<td>33.4</td>
<td>16.0</td>
<td>44.7</td>
<td>100.0</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>42.9</td>
<td>13.3</td>
<td>30.6</td>
<td>22.9</td>
<td>33.2</td>
<td>100.0</td>
</tr>
<tr>
<td>Philippines</td>
<td>48.7</td>
<td>12.6</td>
<td>36.1</td>
<td>19.5</td>
<td>31.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Vietnam</td>
<td>31.8</td>
<td>14.3</td>
<td>17.5</td>
<td>19.1</td>
<td>49.1</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Fox et al. 2013.
What Can Africa Expect in the Future?

Africa’s strong growth early in this decade has fueled expectations that by the end of the decade most of its population will live in countries with a per capita income (GNI) above US$1,000—what the World Bank defines as “middle income” (World Bank 2012a). Currently almost 60 percent of the labor force works in low-income countries, including those classified as resource rich, so this shift would be significant.

How might this continued strong growth influence the number and types of jobs available to Africans by 2020? And what would happen to employment if growth were even stronger? We developed two sets of employment projections to explore those questions. First, we project what might happen if the growth remains robust, following its present course. Next, we project what might happen to employment if Africa experiences a “game-changing” growth scenario, arising from a surge in export-oriented manufacturing. (For background on the data and methods used to develop the employment projections, see box 1.4.) The sections that follow outline the assumptions behind these scenarios and the resulting picture of employment.

Basic Scenario: Strong, Steady Growth Continues

In this scenario, the main sources of growth in Africa over the next decade are the same as those in the last decade, resulting in steady growth across country groups (table 1.2). Agricultural growth in lower-middle-income and low-income countries is projected to remain strong at about 5 percent a year, driven by increased factors of production (land and labor) and by increased labor productivity (from increased input use and improved access to markets). This growth will cause real incomes to rise for farmers, as demand for food crops from Africa is projected to remain high regionally and internationally, keeping prices at current real levels. Projected industrial growth in lower-middle-income and low-income countries reflects a combination of new mining projects and higher manufacturing output to serve the domestic market, but no major gains in manufacturing exports. Some countries with mining projects are projected to have very high industrial growth: Ghana at 19 percent a year, as oil production comes on stream; Liberia at 17 percent a year, from iron ore mining; and Sierra Leone, with an average industrial growth rate exceeding 50 percent, from iron ore min-

Box 1.4

How are our employment projections done?

For projecting the distribution of employment across sectors, the first step was to develop economic growth projections by sector for each country. These were made based on projections of area and yield for agricultural products and on projections of underlying sectoral benchmarks, such as electricity usage, cement usage, road and rail transport, telecommunications, and hotel stays, for the other sectors.

Then sectoral elasticities of employment with respect to growth were developed and applied. In developing the estimates for employment growth between 2010 and 2020, we consulted (1) computed sectoral elasticity estimates for some African countries for the previous decade, (2) computed estimates for selected Asian comparator countries from the early 1990s through the late 2000s, and (3) computed estimates for African countries for which at least two high-quality employment and national accounts data points could be obtained. Using that data, we developed a set of median sector elasticities for each country grouping, sector, and type of nonagricultural job (see table B1.4.1). The industry and services elasticities for the middle-income countries are comparable to the other estimates. For low-income countries, the industry elasticities are considerably lower in Africa than in Asia (Bangladesh, Cambodia, and Vietnam), because industry growth has been much more labor intensive in the Asian countries. In contrast, the services employment elasticities are estimated to be slightly higher in Africa than in

“We both started this profession [silk production and weaving] when we were eight years old. There was no other option for us; this is our heritage, and we proudly continue this tradition.”

Madagascar
Asia. The employment elasticity is much lower in industry for resource-rich countries than for low-income countries because of the importance of mining in the former group and the prevalence of labor-intensive production in the latter group. The agricultural sector elasticities are negative for South Africa and the middle-income countries because they have been losing agricultural employment over the past decade, in contrast to the earlier period (Kapsos 2005) and to middle-income countries in Asia.

Finally, the elasticities of employment were applied to the projected growth rates to project employment by sector for each country to 2020. Since elasticity estimates vary considerably across countries, the median estimate was adjusted in some countries based on the economic structure and projected future performance of the country. For example, the employment elasticity of industrial sector growth in Sierra Leone was adjusted downward from the median for low-income countries, because the explosive growth anticipated in this sector will come from increased extraction of iron ore, which is not labor intensive. To close the model, the unemployment rate for low-income and lower-middle-income countries was held constant, and all projected employment not allocated to industry and services was assigned to agriculture. This feature of the model is consistent with agriculture’s current function as the fallback economic activity for most households, but it means that employment estimates for agriculture in low-income and lower-middle-income countries are not based on growth elasticities. In middle-income countries, labor was allocated to each sector, with unemployment as the residual. The resulting baseline scenario shows only a modest decline in unemployment in these countries. The detailed country employment estimates were aggregated back into the country groupings. The final result is shown in figure 1.14.

### Table B1.4.1 Growth elasticities of employment

#### a. Our elasticity parameters

<table>
<thead>
<tr>
<th>Sector</th>
<th>Low income</th>
<th>Lower-middle income</th>
<th>Resource rich</th>
<th>Upper-middle income (except South Africa)</th>
<th>South Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture*</td>
<td>−0.8</td>
<td>−1.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wage industry</td>
<td>0.9</td>
<td>0.8</td>
<td>0.6</td>
<td>0.6</td>
<td>0.5</td>
</tr>
<tr>
<td>Nonwage industry</td>
<td>0.7</td>
<td>0.6</td>
<td>0.7</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Wage services</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
<td>0.7</td>
<td>0.5</td>
</tr>
<tr>
<td>Nonwage services</td>
<td>0.8</td>
<td>0.9</td>
<td>0.7</td>
<td>0.6</td>
<td>0.5</td>
</tr>
</tbody>
</table>

#### b. Comparators

<table>
<thead>
<tr>
<th>Sector</th>
<th>Vietnam, Cambodia, Bangladesh</th>
<th>Indonesia, Philippines</th>
<th>ILO, SSA, 1990–2003³</th>
<th>Low- and lower-middle income</th>
<th>Upper-middle income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>0.3</td>
<td>0.3</td>
<td>0.7</td>
<td>0.1</td>
<td></td>
</tr>
<tr>
<td>Wage industry</td>
<td>1.2</td>
<td>0.4</td>
<td>0.6</td>
<td>0.8</td>
<td></td>
</tr>
<tr>
<td>Nonwage industry</td>
<td>1.1</td>
<td>0.4</td>
<td>0.6</td>
<td>0.8</td>
<td></td>
</tr>
<tr>
<td>Wage services</td>
<td>0.7</td>
<td>0.7</td>
<td>0.8</td>
<td>0.7</td>
<td></td>
</tr>
<tr>
<td>Nonwage services</td>
<td>0.7</td>
<td>0.7</td>
<td>0.8</td>
<td>0.7</td>
<td></td>
</tr>
</tbody>
</table>

* Agricultural employment closes the model for low-income, low-middle income, and resource-rich countries.

³ Data from Kapsos 2005.

Source: Fox et al. 2013.

Note: Resource-rich countries are defined here as Angola, Chad, the Democratic Republic of Congo, Guinea, Nigeria, the Republic of Congo, Sudan and Republic of South Sudan, and Zambia.
When those countries are excluded from their respective groups, a smoother pattern emerges for growth rates. Resource-rich countries, whose main export is expected to remain unprocessed minerals, will be distinguished by higher growth in the services sector (public sector growth funded by mineral rents). Upper-middle-income countries are projected to continue recovering from the slump that followed the financial crisis of 2007–08. They are expected to diversify their exports into services, giving a boost to that sector.

A key assumption behind this optimism is that Africa will not experience another major economic shock from external or internal sources, such as another major global recession that shatters demand for African exports, the outbreak of a regional conflict, or a prolonged climatic disaster in the region. Without such shocks, African countries could realize 10 years of growth averaging 4.5–6.0 percent a year, slightly above what was achieved during 2005–10, which included the shock to world financial markets.

Figures 1.13 and 1.14 present initial answers to the questions about the number and types of jobs that this kind of growth might create. Although industrial wage employment is projected to increase through continued modest diversification of output and exports, service employment is projected to keep growing faster than industrial employment because the mining sector will not directly create very many jobs. By 2020, wage and salary jobs will account for 29 percent of the net new jobs but only 25 percent of the total jobs taken by new entrants (some new entrants will replace workers leaving the labor force). In other words, at best one in four African youth will find a wage job, and only a small fraction of such jobs will be “formal” jobs in modern enterprises. Unemployment is assumed to remain low in the low-income and lower-middle-income countries, and we project that it will fall slightly in the upper-middle-income countries if high growth rates are realized.

The HE sector is projected to create even more jobs than the wage sector, accounting for 45 percent of the net new jobs and employing 37 percent of new entrants through the start-up of new businesses. This sector feeds off demand for goods and services created by employment and earnings growth in the wage and agricultural sectors, so balanced growth is necessary to realize this part of the projection.

Because the majority of new jobs will need to be created in countries currently classified as low income (such as the Democratic Republic of Congo and Ethiopia), the agricultural sector will remain important for creating employment. In agriculture—unlike other sectors—the projection of new jobs (in low-income and lower-middle-income countries) is not based on demand for labor in the sector. Instead it repre-

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### Table 1.2 Average annual growth, by sector and country income level, 2005–20

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<tbody>
<tr>
<td></td>
<td>Real GDP</td>
<td>Agriculture</td>
<td>Industry</td>
</tr>
<tr>
<td>Low income</td>
<td>6.5</td>
<td>4.8</td>
<td>6.6</td>
</tr>
<tr>
<td>Lower-middle income</td>
<td>4.4</td>
<td>4.1</td>
<td>4.9</td>
</tr>
<tr>
<td>Lower-middle income, except Ghana</td>
<td>3.3</td>
<td>3.9</td>
<td>3.4</td>
</tr>
<tr>
<td>Resource rich</td>
<td>6.8</td>
<td>7.5</td>
<td>3.1</td>
</tr>
<tr>
<td>South Africa</td>
<td>3.6</td>
<td>2.5</td>
<td>2.3</td>
</tr>
<tr>
<td>Other upper-middle income</td>
<td>3.0</td>
<td>1.5</td>
<td>1.5</td>
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Source: Fox et al. 2013.
Note: See box 1.4 for an explanation of how employment projections are derived and countries are classified.
The absolute number of people working in agriculture is projected to rise by about 33 million. Since about 70 percent of those who will exit the labor force are now working in agriculture, the actual number of new entrants that agriculture needs to absorb is over 62 million, or about 38 percent of the new entrants. Stronger growth in other sectors could push this number down slightly, but it is unlikely that the labor force in agriculture will shrink over the next decade—young people seeking jobs will simply have no other place to go. If African agriculture realizes its potential, however, agricultural jobs will be more productive, higher-earning jobs than they are today.

Although the projection implies high growth in nonagricultural employment, the projected structure of employment shown in figure 1.14 is not much different from the current structure shown in figure 1.9. Agricultural employment will decline in all country groups, yet the share of industrial wage jobs in total employment will rise from 2.3 to only 3.2, below other developing regions, because those jobs are growing from such a small base.

How do these estimates compare with others in the literature? A recent McKinsey study contends that Africa will create about 122 million new jobs over the next 10 years and that almost half of them will be wage-paying jobs (Fine et al. 2012). Why is McKinsey’s employment forecast considerably more optimistic than the one provided here—30 million new wage jobs over the coming decade? The main difference is that we use Africa-specific data and projections to forecast the employment profile, whereas the McKinsey team uses data from fast-growing developing and emerging market countries on other continents. That method clearly imparts an upward bias to McKinsey’s results.
“Game-Changer” Scenario: A Surge in Labor-Intensive Export Manufacturing

Is there a better scenario for African jobs? The scenario just presented is already optimistic in the sense that it is based on sustained growth across Africa, but it is not based on a radical, “game-changing” departure from Africa’s current growth path. Some observers contend that if Africa increases output in export-oriented, labor-intensive light manufacturing as dramatically as high-growth comparator countries in Asia managed to do, the structure of employment could change more rapidly (Lin and Monga 2012; Dinh et al. 2012). When growth in manufacturing employment was at its peak in Bangladesh, Cambodia, and Vietnam, those countries had annual growth rates of 10 percent or more in their industrial sectors and were creating industrial wage jobs at an even faster pace.

How would the structure of employment differ if low-income and lower-middle-income African countries changed their policies and investments to achieve a comparable performance? What employment prospects would be open to youth in those countries in 2015–20 if Africa picks up manufacturing industries and jobs from East Asia beginning in 2015, in much the same way that other East Asian countries picked up industries and jobs from Japan and the Republic of Korea in the 1980s and 1990s?

To test the possible implications of such a “game change” for employment in Africa, we simulated this recent Asian experience for low-income and lower-middle-income countries of Africa. In this simulation, we raised the wage employment elasticity 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-income and lower-middle-income countries was 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 over the most recent decade (9.3 percent a year). Figure 1.15 compares the structure of employment for the original and the alternative, “game-changing” scenario.

If the alternative scenario could be realized, industrial wage employment would grow much faster across Africa’s low- and lower-middle-income countries, which would account for almost 60 percent of Africa’s labor force in 2020. 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. Yet even then the structure of employment would

Figure 1.15 Even game-changing growth will have limited effects on the distribution of employment in the near term

Source: Fox et al. forthcoming.
Note: See box 1.4 for an explanation of how employment projections are derived and countries are classified.
look about the same. 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 only five years, whereas the structural change in Vietnam took 20 years to unfold. They also reflect the larger labor force and the lower base from which industrial development would 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.

**Framework of This Report**

Starting from the reality of youth in Africa—the size of the cohort and the events that shape their lives during the many transitions that youth entails—this report analyzes young people's employment prospects and experiences and examines how to create pathways leading to productive work. Using a simple analytical framework, the report develops a systematic and detailed understanding of the challenges involved in improving the productivity, earnings, and efficiency of the transitions of youth—as well as the various interventions that show promise in addressing those challenges (table 1.3). We focus on the three sectors in which productivity increases will be most critical: agriculture, nonfarm HEs, and the modern wage sector.

We distinguish two types of constraints that limit young people's potential for finding pathways to productive work in the three sectors:

1. **Human capital.** The supply side, or the abilities, education, skills, family connections, networks, beliefs, and other character traits that are embedded in an individual and allow that person to find opportunities to be productive, increase earnings, and achieve income security
2. **Business environment.** The factors outside a 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.

Chapters 4, 5, and 6 address each sector in turn (agriculture, HEs, and modern wage employment in the private sector). They delve into the particular ways that binding constraints related to the business environment and human capital influence young people's potential for productive employment, and they describe how those constraints might be relieved.

To provide the context for those chapters, chapter 2 discusses the transitions that characterize youth, particularly the overlapping transitions from school and to work. Chapter 3 looks at skills, an issue that cuts across all sectors of employment, focusing on the skills that are critical for productive employment and how they are acquired. The chapter assesses the role of schooling in producing education and learning and describes the wide landscape of apprenticeships and other forms of training that develop skills outside of school.

**Notes**

1. Excluding China, the estimates for East Asia and the Pacific are 115 million youth ages 15–24 in 2015 and 101 million in 2050. The decline in the cohort size begins in 2010 (as it does for China).
2. Figures are based on Demographic and Health Surveys (DHS) final reports (www.measuredhs.com).
3. McKinsey based its estimate on data for the Arab Republic of Egypt, Indonesia, Korea, Malaysia, Mexico, Pakistan, the Philippines, Thailand, and Turkey.
4. Africa's resource-rich countries were excluded from this simulation, because even the resource-rich countries in East Asia did not achieve the type of employment transformation simulated here.

<table>
<thead>
<tr>
<th>Table 1.3 Framework of this report</th>
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<tr>
<td><strong>Three sectors</strong></td>
</tr>
<tr>
<td>Agriculture</td>
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<tr>
<td>Nonfarm household enterprises</td>
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<td>Modern wage employment</td>
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<tr>
<td><strong>Two dimensions</strong></td>
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<tr>
<td>Human capital</td>
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<tr>
<td>Business environment</td>
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References


A job—be it for a wage or not—is almost always more than just an income. A job affects a person’s core sense of identity and at the same time establishes how a person is perceived by society. The kind of job that people do exerts a powerful influence on their social well-being and economic development. The World Development Report 2013: Jobs covers these themes in detail and serves as the basis for the brief discussion that follows.

The Value of Jobs

People throughout the world consider jobs to be more than a task or an income. Jobs say something about an individual’s place and identity in society and contribute to an individual’s satisfaction with life (World Bank 2012). In a 2012 survey in Sierra Leone, 90 percent of respondents judged their job to be somewhat or absolutely meaningful (Hatløy et al. 2012). Similarly, youths interviewed in a qualitative study in Ghana reported that they value jobs that allow them to acquire new knowledge and skills or to connect with other people through social networks (Anarfi, Anyidoho, and Verschoor 2008). The type of job, contract, benefits, and safety and security at work all influence such perceptions of well-being. This may explain why measures of job satisfaction are lower in Sub-Saharan Africa than in other regions across all types of jobs—agricultural, household enterprise, and modern wage (see figure F1.1).

In addition to their contribution to status, empowerment, identity, and well-being, jobs (including nonwage jobs) connect people through networks. Jobs connect people with others—of different backgrounds, ethnicities, and gender—with whom they would not otherwise interact and with information, including information about job opportunities. For example, a study of workers from different ethnic backgrounds in Rwanda’s coffee industry found that workplace interactions are associated with better attitudes toward collaboration across ethnic boundaries and less distrust (Tobias and Boudreaux 2011).

Jobs in agriculture, too, can connect people through networks. Studies in Ghana and Uganda illustrate how farmers connected through networks can obtain information and increase productivity. In Ghana, pineapple farmers adjusted their use of fertilizer in response to the successful or unsuccessful experiences of their neighbors. Farmers just starting to cultivate pineapples are more likely to make changes based on information received from other farmers, showing the potential of on-the-job interactions and learning from others (Udry and Conley 2004). In rural Uganda, a recent randomized experiment studied the productivity effect of networks by pairing cotton farmers to stimulate the exchange of information. The pairs were encouraged to discuss farming activities, problems, and solutions and to set a target for increased cultivation. Farmers who participated in the project, especially women, significantly increased their productivity. Connecting farmers with other farmers outside their established social circles helped to spread information that otherwise would not have been shared (Vasilaky 2010).

While jobs can connect people through networks, they can also exclude. Across countries, most people find their jobs through connections with friends, relatives, and other acquaintances. In the 2012 jobs survey in Sierra Leone, 75 percent of respondents reported that their job is important for establishing contacts with others (Hatløy et al. 2012). Yet networks may have negative social consequences when they exclude people and groups who lack such connections. A case study of a weaving cluster in Ilorin, a city in the Yoruba Muslim part of western Nigeria, and a shoe and garment cluster in Aba, a city in the Igbo Christian area of

“In my job I meet a lot of people, learn how to express myself and how to go about personal communication.”

Ghana
eastern Nigeria, found that the greater inflow of producers increased the reliance on connections and social tensions. The poorest producers had no regular suppliers or credit networks, but depended mainly on customers from their own village (Meagher 2011).

**Jobs and Aspirations**

The distribution of jobs within a society can affect expectations and aspirations. As children and teenagers form goals for the future, their aspirations may be influenced by whether their parents have jobs and the types of jobs their parents have. Frustration and even social unrest may develop when education and effort are not rewarded or when people perceive the distribution of jobs to be unfair. In many countries in Africa, the conventional wisdom suggests that people, and youth in particular, prefer wage employment to other types of jobs their parents have. In a similar study in Sierra Leone, youth considered “employment” to mean having a stable and salaried position. They held office jobs in particular esteem. Such jobs are often referred to as “Englishman” jobs. Positions in teaching and nursing are also often treated with respect. Young people refer to casual, informal jobs that provide low levels of daily income as “dishonorable jobs.”

Wage jobs are not always the most coveted, however. The reality is more complex, based on the context, available opportunities, and characteristics of youth. In Ghana, wage work is not necessarily preferred among different types of employment (Falco et al. 2012). In fact, owners of informal firms that employ others are significantly happier than people working in the formal private sector. Young people explained that status, autonomy, and income cause them to prefer self-employment. A 22-year-old student explained, “Here in Ghana, you don’t earn much by working for somebody. You are able to make more from your own business than from working for someone” (Anarfi, Anyidoho, and Verschoor 2008). An unemployed youth echoed that message: “There is nothing
like doing [your own work], and it gives you the idea that, one day, I have to work hard and, if possible, establish my own company, employ people.” Youth surveyed in Zambia expressed similar sentiments; those employed in wage jobs noted that they have to supplement their income with informal activities because of low pay as well as limited job security (PREM Poverty Reduction Group 2008).

**Jobs and Development**

Jobs have three transformational dimensions for individuals and society (World Bank 2012). The first one is *living standards*: poverty falls as people work their way out of hardship, especially in countries where the scope for redistribution is limited. The second is *productivity*: efficiency increases as workers get better at what they do and move from less productive jobs to more productive ones. The third is *social cohesion*: societies flourish as jobs create a sense of opportunity and get people from different ethnic and social backgrounds to work together.

When jobs are examined in light of their potential to contribute to those outcomes, it becomes clear that some jobs do more for development than others (figure F1.2). For policy makers, therefore, it is not only the number of jobs that matters, but their quality and contribution to a country’s development. As discussed, individuals value jobs for the earnings and benefits they provide, along with their contributions to self-esteem and happiness. But some jobs have broader effects on society. Jobs for women can change the way households invest in the education and health of children. Jobs in cities support greater specialization and the exchange of ideas, making other jobs more productive. And in turbulent environments, jobs can contribute to peace and social cohesion (see box F1.1).

Often the individual and social perspectives on jobs coincide, but not always. Jobs with high pay and benefits may be coveted by individuals, but they may be less valuable to society if they are supported through government transfers or restrictive regulations, undermining the earnings or job opportunities of others. Because of gaps like these, jobs that look equivalent to an individual may have different effects on society. Good jobs for development are those with the highest value for society, taking into account not only the value they have to the people who hold them, but also the potential spillovers on others—positive or negative. Jobs that reduce poverty, connect the economy to global markets, or foster trust and civic engagement can do more for development than others.

The particular jobs that are good for development will vary with each country’s level of development, demography, endowments, and institutions. For example,

- **In agrarian countries**, most people live in rural areas and their jobs are in agriculture. Making smallholder farming viable is critical because poverty rates are high. Higher agricultural productivity can help the development of off-farm employment. At the same time, urban jobs connected to world markets set the foundation for cities to become dynamic.

- **In conflict-affected countries**, the most immediate challenge is to support social cohesion. Employment for former combatants or youths vulnerable to participation in violence is particularly important. Construction can help, as it is labor intensive and can thrive even in a poor business environment.
Dissatisfaction with the quality and availability of jobs among youth in Africa has raised concerns in the media and in public debate about the risks of violence and social tensions. Across countries, however, the connections between jobs, conflict, and violence are not straightforward. Only limited and contradictory evidence on those connections is available from developing countries. Generally, the literature suggests that relationships between conflict, violence, and employment status are indirect and may operate through channels such as identity and social dynamics (Cramer 2010).

The literature linking crime to unemployment comes mostly from developed countries, and it finds no consistent link between unemployment and violent behavior. Studies from the United Kingdom and the United States have linked youth unemployment to property crime, including burglaries and vehicle break-ins (Bell and Blanchflower 2010). The evidence is weaker for violent crimes. The literature on unemployment and conflict presents more consistent results, and although causality is difficult to establish, there is evidence that poor economic performance, including youth unemployment, can be associated with conflict (Collier and Sam-banis 2005; Urdal 2004). Other work fails to find empirical evidence for the relationship between youth unemployment and armed conflict, however, so the evidence remains mixed (Cramer 2010).

Overall, where unemployment is high or employment opportunities are poor, violence and tensions probably result from accumulated risk factors, such as exclusion, perceptions of opportunities, and family dynamics, rather than employment status alone. For example, young people may turn to gangs or other violent groups to compensate for the lack of ties they have in economic and social life. A longitudinal study of youth in Ecuador found that members of gangs involved with drugs and guns joined “because they were searching for the support, trust, and cohesion—social capital—that they maintained their families did not provide, as well as because of the lack of opportunities in the local context” (Moser 2009). Similarly, analysis in the United States found that gangs provide youth with the income, respect, and social ties that they are unable to find in jobs, particularly given the limited opportunities available in cities such as Chicago and New York that have lost stable manufacturing jobs (Padilla 1992).

**Box F1.1**

**Employment, conflict, and violence: Is there a link?**

In urbanizing countries, productivity growth in agriculture frees people to work in cities. Jobs for women, typically in light manufacturing, can benefit households. Avoiding urban congestion and allowing the country to move up the value-added ladder are top priorities.

In resource-rich countries foreign exchange earnings may be substantial, but the abundance may undermine the competitiveness of other activities and encourage the creation of jobs supported through transfers. Jobs that lead to a diversification of exports can have large development payoffs.

Ultimately the role of government is to ensure that the conditions are in place for strong private sector–led growth, to understand why there are not more good jobs for development in a particular country, and to remove or mitigate the constraints that prevent the creation of more of these jobs. The World Development Report 2013: Jobs outlines a three-layered policy approach:

- **Fundamentals.** Because jobs improve with development, it is necessary to create a policy framework that is conducive to growth. That task requires attending to macroeconomic stability, an enabling business environment, human capital accumulation, and the rule of law—including respect for rights.

- **Labor policies.** Labor policy should avoid the distortionary interventions that clog the creation of jobs in cities and in global value chains and that lack mechanisms for giving voice and protection to the most vulnerable workers, regardless of whether they are wage earners or not.

- **Priorities.** Because some jobs do more for development than others, it is necessary to understand where good jobs for development lie, given the country context. Policies should remove or offset the market imperfections and institutional failures that prevent the private sector from creating more good jobs for development.
References
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