



African Economic Outlook 2012

SPECIAL THEME:

Promoting Youth Employment



Chapter 6

Promoting Youth Employment

Why an African Economic Outlook on youth employment?

As successive editions of the *African Economic Outlook* (AEO) have shown, Africa's rate of growth has outperformed the global rate over the last decade. Yet high growth is not sufficient to guarantee productive employment for all. Large sections of the population, and particularly the young, can be left behind and become frustrated. In the absence of a political process allowing them to express their views and produce policy changes, instability can result, as it did last year in a number of North African countries. This is an opportune time to reset the policy agenda of African governments towards an inclusive, employment-creating and sustainable growth strategy, aimed particularly at addressing the special needs of the young.

Africa has been experiencing fast economic growth. From 2001/10, six of the world's ten fastest-growing economies were in sub-Saharan Africa. Africa weathered the 2008 financial crisis well, with many economies already growing at rates close to their pre-crisis averages. Assuming that the current market turmoil in developed countries passes without serious consequences for Africa, prospects for the coming decade seem equally good.

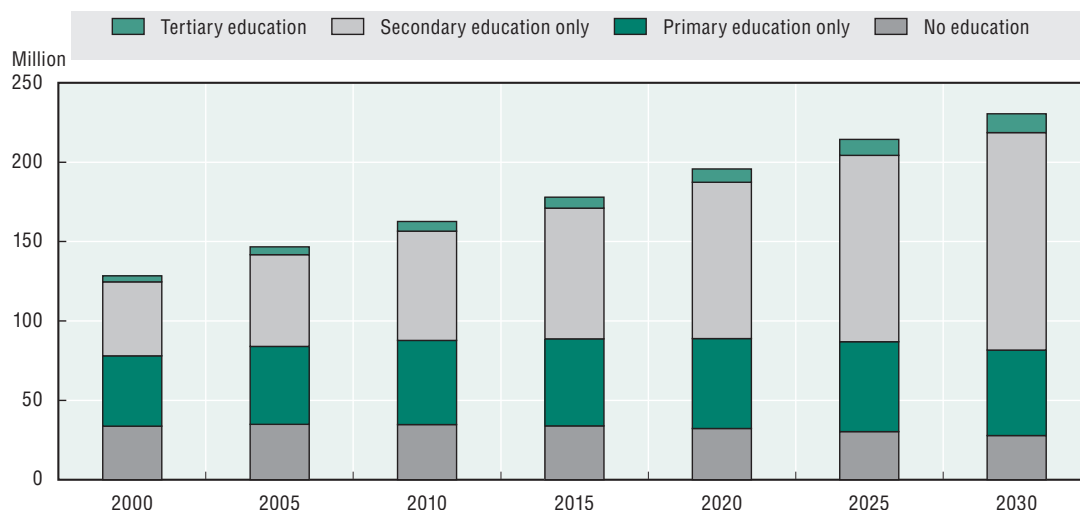
With almost 200 million people aged between 15 and 24, Africa has the youngest population in the world. And it keeps growing rapidly. The number of young people in Africa will double by 2045. Between 2000 and 2008, Africa's working age population (15-64 years) grew from 443 million to 550 million; an increase of 25%. In annual terms this is a growth of 13 million, or 2.7% per year (World Bank 2011a). If this trend continues, the continent's labour force will be 1 billion strong by 2040, making it the largest in the world, surpassing both China and India (McKinsey, 2010).

Africa's youth population is not only growing rapidly, it is also getting better educated. Based on current trends, 59% of 20-24 year olds will have had secondary education in 2030, compared to 42% today. This will translate into 137 million 20-24 year olds with secondary education and 12 million with tertiary education in 2030 (Figure 6.1.). Although significant quality gaps remain, these trends offer an unrivalled opportunity for economic and social development if the talents of this swiftly increasing reservoir of human capital are harnessed and channelled towards the productive sectors of the economy. However, they could also present a significant risk and threat to social cohesion and political stability if Africa fails to create sufficient economic and employment opportunities to support decent living conditions for this group.

Although many jobs have been created, there have not been enough to accommodate the number of young people in search of work. The International Labour Organization (ILO) estimates that between 2000 and 2008, Africa created 73 million jobs, but only 16 million for young people aged between 15 and 24. As a result, many young Africans find themselves unemployed or, more frequently, underemployed in informal jobs with low productivity



Figure 6.1. Africa is experiencing a rapid growth of educated young people (20-24 year-old cohorts by education, 2000-2030)



Source: World Bank EdStats, authors' calculations.

StatLink <http://dx.doi.org/10.1787/888932600279>

and pay. Of Africa's unemployed 60% are young people and youth unemployment rates are double those of adult unemployment in most African countries. The problem is particularly acute in middle-income countries (MICs). In 2009 in North Africa youth unemployment was 23.4%, and the ratio of youth-to-adult unemployment rates was estimated at 3.8. In South Africa, youth unemployment was 48% and the ratio of youth-to-adult unemployment rates was estimated at 2.5. Among the employed young, the proportion of work in informality is significantly higher than that of adults.

The costs of inadequate employment are high. Poverty is the most obvious consequence. On average 72% of the youth population in Africa live with less than USD 2 per day. The incidence of poverty among young people in Nigeria, Ethiopia, Uganda, Zambia and Burundi is over 80% (World Bank 2009). The highest rates of poverty can be observed among young women and young people living in rural areas. But the costs go much deeper. The first years in the labour market, the skills developed and the experience then accumulated considerably affect young people's future professional development. Long spells of unemployment or underemployment in informal work can "permanently impair future productive potential and therefore employment opportunities" (Guarcello et al., 2007). For the few that manage to obtain a formal sector job, which offers increasing wages, initial unemployment can have significant negative effects on lifetime earnings (OECD, 2010). In fragile states, the lack of adequate employment is among the major risks to stability (Box 6.1.).

Without urgent action to modernise their economies, African countries risk wasting the tremendous potential offered by their youth. In a paper titled "The Economics of the Arab Spring" Malik and Awadallah (2011) point to the "singular failure" of the Arab world to develop a private sector that is independent, competitive and integrated into global markets. Although such harsh words are not warranted for all of Africa, they do make a valid general point: given Africa's strong population growth and the necessary downsizing of the public sector in many countries, a vigorous private sector is the most important source of jobs for the young. Yet this analysis of 53 countries in Africa reveals that a lack of sufficient job creation is by far the biggest hurdle young Africans face today.

Maximising the impact of a stronger private sector and economic growth on youth



Box 6.1. Youth employment and unemployment in fragile states

Why is youth unemployment a critical issue in fragile states? Grievances among the young are most likely to be expressed violently, if non-violent political channels are not adequate or responsive (USAID, 2006), and these grievances revolve around unemployment, involving considerations of both income and social cohesion. One in two young people who join a rebel movement cites unemployment as the main reason for doing so (World Bank, 2011b). In Liberia, which has suffered two civil wars since 1989, driven by a combustible mix of ethnic divisions, predatory elites, corruption, and competition for the profits from natural resources, today it is unemployment that is seen as a major risk to stability (International Crisis Group, 2011). Conflict in one country shaves an estimated 0.5 percentage points off the annual rate of growth in a neighbouring country (Collier *et al.*, 2003). It can create a refugee population, disrupt trade, provoke an arms race, provide a haven for rebels, and itself become theatre of a new war.

Source: International Network on Conflict and Fragility (INCAF), OECD Development Co-operation Directorate.

employment requires intelligent policies based on a sound understanding of the issues that the young face in finding, and holding on to, decent employment opportunities. This chapter aims to make a contribution by painting a picture of youth in employment and unemployment, the needs they have and the obstacles they face.

How to read this report

Africa's youth employment challenges are as diverse as the continent itself. The poorest countries have very low unemployment rates alongside a large informal sector that employs up to 90% of the working age population. Most of Africa's MICs, on the other hand, suffer from very high youth unemployment rates. Their formal sectors are bigger than those in the poorest countries and employ a large share of the population, but at the same time their informal sectors are relatively smaller and do not absorb young workers as they do in poor countries. To account for these differences this report will use the low-income (LIC), lower middle-income (LMIC) and upper middle-income (UMIC) categories as the main lens of analysis wherever possible. Where data are insufficient or differences small, lower and upper middle-income countries will be looked at as a single middle-income country (MIC) category.

There are many concepts used to analyse youth employment and they can be confusing. Figure 6.2. is intended to serve as a "Rosetta stone", or translation tool, for this report, by making the various definitions used in labour market analysis comparable with one another. Then the definitions are detailed for each labour market concept used in this report, which concludes with an explanation of the data used.

Labour market definitions

For the purposes of labour market analysis, young people aged between 15 and 24 are considered as **Youth**. Young people under 15 fall under the ILO's child labour convention and should not be working. Aged above 24, young people are considered adults. In most systems young people can have concluded secondary and tertiary education of four years or less at this age and have entered the workforce.

For most African countries measures of youth *in employment* are more relevant than



Figure 6.2. The Rosetta Stone for labour markets

1. Labour Force Status	2. Time Use	3. Employment Status		4. Working?	5. Job Quality	6. Formality
In the labour force	Full-time worker	Wage employed		Employed	Wage employment	Formal / Informal
		Self-employed			Vulnerable employment ²	
		Contributing family worker / unpaid worker				
	Part-time worker	Voluntary part-time employed				
Involuntary = Underemployed						
Out of the labour force	Job seeker	Unemployed	Broad Unemployment	NEET*		
	Inactivity or housework	Discouraged				
		Inactive				
	In education	Student		Student		

*NEET: Not in Employment, Education, or Training.
 Source: Authors' illustration.
 StatLink <http://dx.doi.org/10.1787/888932600298>

measures of youth not in employment. Among the poor, few can afford not to be employed. Instead, *underemployment*, *vulnerable employment* and *working poverty* are widespread. Focusing on the unemployment rate fails to take into account this reality. It implicitly assumes that those in work are materially better off than the unemployed. In most African countries, however, this assumption does not hold. *In fact, the unemployed are less likely to suffer from poverty than many self-employed or underemployed.*

Another reason to be sceptical of the unemployment rate as the main measure of negative labour market outcomes is that it excludes many young people who are not in employment, even though they would be ready to work, but have given up looking for a job. These *discouraged* young people are often worse off than the unemployed and should be in the forefront of policy makers' minds. As an alternative, the NEET rate of youth, which counts all youth who are not in employment, education, or training as a proportion of the total youth population, is suggested.

Measures of young people who are not in employment.

The **youth unemployment rate** is a measure of the unutilised labour supply and of the difficulty of finding work. It is calculated on the basis of the number of persons who, during the specified short reference period, were simultaneously: a) without work; b) currently available for work; and c) seeking work, as a percentage of the total labour force (ILO). It is a useful measure in high and middle-income countries, but less so in poor countries, where few of the young can afford to be unemployed. Even in better-off countries, the youth unemployment rate does not provide a full account of the situation of young people out of work since it does not take into consideration the discouraged, who have given up looking for employment. *They are often worse off than the unemployed who are still looking.*

The **discouraged worker rate of youth** is similar to the youth unemployment rate, but



focuses on those young people that have given up their job search. It measures the difficulty of finding work and the underutilisation of labour supply. It is calculated on the basis of the number of persons who, during the specified short reference period, were simultaneously: a) without work; b) currently available for work, but c) not actively seeking work, as a percentage of the youth labour force. In standard labour accounting the discouraged are not considered part of the labour force. This is unfortunate. Often discouraged youth are poor and disconnected from labour markets. Others are well educated but have given up the search for a job that rewards their qualifications. For South Africa it has been shown that the rate of discouragement is positively correlated to the rate of unemployment (Kingdon and Knight, 2004). Areas with the highest unemployment also have high rates of discouragement as the young see no hope of finding a job there.

The **relaxed, or broad, youth unemployment rate** adds the discouraged worker rate of youth to the youth unemployment rate and expands the measure of the labour force by the number of discouraged youth. It is a broader measure of youth out of work and underutilisation of the labour supply than the traditional youth unemployment rate.

The **youth labour force participation rate** measures the level of economic activity among the youth population. It is measured as the sum of all young persons who are employed or unemployed, i.e. looking for work, as a percentage of the youth population. Young people not in the labour force are either students or inactive, i.e. not looking for work. The youth labour force participation rate is lower in countries with higher income where many young people are in education. It also reflects cultural attitudes in countries where the labour force participation rate of young women is very low. It tends to be higher in poorer countries, where school enrolment is low and many of the young have to contribute to family income through economic activity. It suffers from the same shortcomings as the youth unemployment rate because the discouraged are not counted in the labour force.

Youth out of the labour force is the sum of all young persons who are neither employed nor unemployed as a percentage of the youth population, except for students. This measure includes the discouraged young and those not able to take up employment for health, family reasons, or other reasons.

The **NEET rate of youth** is an alternative indicator to the youth unemployment rate, measuring the sum of young people not in employment, education or training as a proportion of the entire age category. A young person is considered NEET if he or she has left the school system and is not employed or in continuing education. Thus the NEET include unemployed and discouraged young people as well as those who are considered to be out of the labour force or inactive (OECD, 2010).

Measures of employed youth.

The **youth employment rate** is a measure of the economically productive youth population and the ease of finding work. It is calculated as the sum of youth in all types of employment as a share of the labour force.

The **distribution of youth by employment status** measures the composition of the types of employment among the employed youth population. The status groups are separated by the types of economic risk they represent and the amount of time spent working. Employment data based on the Gallup World Poll provide measures of the following employment statuses:

- full-time wage employment
- full-time self-employment
- full-time unpaid employment (usually in family farming and business)
- part-time employment (voluntary)
- underemployment (involuntary part-time employment)



The **vulnerable employment rate of youth** measures the share of young own-account workers and contributing family workers in total youth employment³. Vulnerable employment is a measure of people who are employed under relatively precarious circumstances as indicated by the status in employment. Because contributing family workers and own-account workers are less likely to have formal work arrangements, access to benefits or social protection programmes, and are more “at risk” to economic cycles, these are the statuses categorised as “vulnerable”. There is a strong connection between vulnerable employment and poverty: if the proportion of vulnerable workers is sizeable, it may be an indication of widespread poverty. The connection arises because workers in the vulnerable categories lack the social protection and safety nets to guard against times of low economic demand and are often incapable of generating sufficient savings for themselves and their families to carry them over these times. It should be remembered that the indicator has its limitations; some wage and salary workers might also carry high economic risk and some own-account workers might be quite well-off and not vulnerable at all.

The **rate of youth in underemployment** is a measure of exclusion and the difficulty of finding a job. It is calculated as the share of young people who are involuntary part-time workers, i.e. have a part-time occupation, but want to work full time and cannot find full-time work. In addition to measuring inefficiencies in the labour market it shines a light on exclusion and poverty because many of the underemployed are poor. Better-off youth would be likely to spend some time in unemployment, investing in finding a better full-time job. Most youth in underemployment also have lower earnings than youth in full-time employment.

The **rate of youth in working poverty** measures deprivation and work that is not decent. It is calculated as the rate of young people in employment living below a poverty line. The ILO uses the international poverty line of USD 1.25 per day per person. For the Gallup World Poll data a food insecurity line is constructed based on the question: “Over the past year, how often, if ever, have you or your family gone without enough food to eat?” Respondents who answer “several times” are considered moderately food insecure. Respondents answering “many times” or “always” are considered severely food insecure. Working poverty based on food insecurity is then measured as the share of the employed who report being moderately or severely food insecure.

Data

Data on labour markets are notoriously difficult to obtain in Africa. Unemployment registers exist in some countries, but are often confined to urban areas and are not comprehensive. A country survey for this report has shown that in 23 out of 33 countries young people can register as unemployed, but only in ten countries is this service available to, or used by, more than 50% of unemployed youth. Only a few countries offer unemployment benefits with registration at such a service. Given this low coverage of unemployment registration, surveys are the only reliable and comprehensive source of labour market information in African countries.

Labour force surveys (LFSs) are rare in Africa. Some countries, such as South Africa, Egypt, Tunisia and Morocco have regular LFSs that report with high detail and good coverage of the country on the situation of young people in the labour market. In other countries LFSs are more sporadic. A background paper for this report analyses 16 African LFS from 2002 to 2007. The most comprehensive depositories of labour market data are the ILO’s LABORSTA and Key Indicators of the Labour Market (KILM) databases that compile information from national sources for all available countries. KILM also provides estimates for a large range of indicators, for which national data are not available, based on the ILO’s TRENDS model⁴.



This model has been developed for the ILO's annual employment outlook reports. For this report data are used from available LFSs and from the TRENDS model.

In addition to these longstanding sources, analysis is based on a subsample of the Gallup World Poll. Since 2005, Gallup has been conducting its World Poll in over 150 countries around the world. Coverage of Africa has been fairly comprehensive since the beginning of the project. Between 2008 and 2010, 39 African countries and territories were covered. The wide, frequent and very recent coverage are the main advantages of labour market data collected in the framework of the poll. The drawback is the sample size of about 1 000 respondents per country or territory. All samples are probability-based and nationally representative of the resident population aged 15 and older, but do not deliver the same precision as LFSs that often have sample sizes of 20 000 or more. Nevertheless, the results for the subsamples of young people (aged 15-24) are indicative at country level and representative at the level of country groupings. In addition, Gallup World Poll data combine labour market data with a range of other questions on opinions and subjective well-being that make it possible to explore the relationship between employment status and well-being, as well as the perception of obstacles and opportunities to job search and business success.

Gallup World Poll uses the same labour market module in all countries, which makes it possible to distinguish between those who are full-time wage-employed by an employer, full-time self-employed, unpaid work (which can largely be assumed to be as family workers), part-time workers who do not want to work more, underemployed (i.e. part-time workers who want to work more), as well as the unemployed, the discouraged and those out of the labour force. Additional dimensions available are occupation groups, educational status and the region (rural, small settlements, cities and suburban areas) where respondents live. The module is well developed to distinguish work for family and external employers and agricultural work from other household activities using a set of screening questions.

Unlike LFSs, the Gallup World Poll does not collect standard informal sector information, such as information on the contractual status of employees, the size of the enterprise they are with, or, if self-employed, whether taxes are being paid on the business revenue. The “vulnerable employment” category (self-employed⁵, contributing family workers, part-time and underemployed) is therefore used to approximate informal employment.⁵ Although the relationship is not perfect, the principle underlying both concepts is similar: workers in unprotected forms of employment, with low productivity and high risk of poverty.

Youth in African labour markets

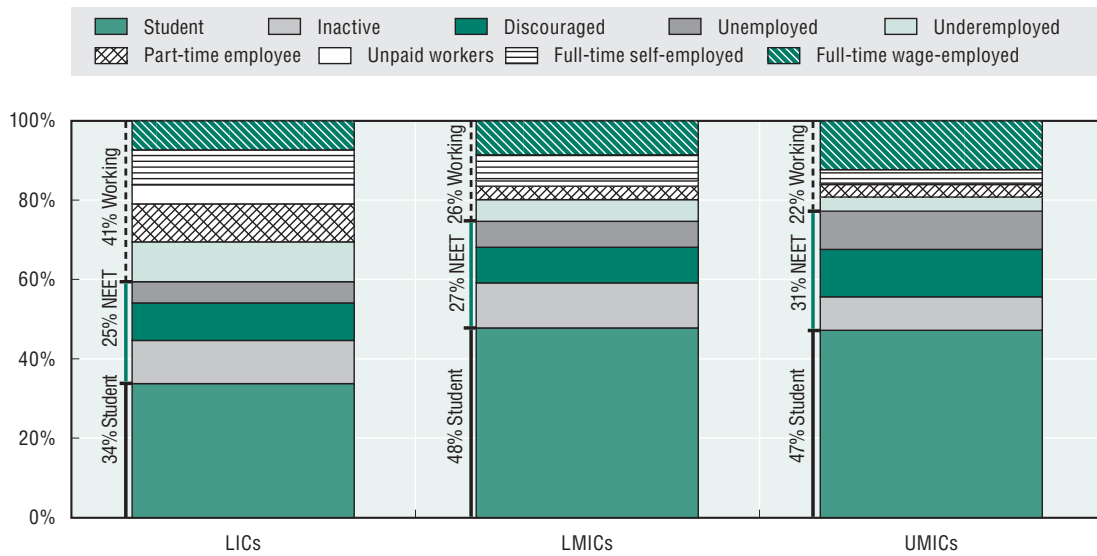
Too many bad jobs in poor countries, too few jobs in middle income countries

Africa faces a range of youth employment challenges. In poorer countries most young people work, in better-off countries more are out of work than in work. Figure 6.3. shows that in LICs 41% of young people are working. Only about one third of youth in LICs are full-time students. In MICs about half of 15-24 year olds are students and fewer young people are working than in LICs. However, NEET rates are higher in better-off countries. In UMICs, 31% of the young are NEET, compared to only 22% who are working. In lower middle-income countries the shares of youth in NEET and working are almost the same with 27% and 26%. In LICs, about one quarter of the young (26%) are NEET, making it the smallest group in these countries.



However, for those young people who do have a job, the quality of employment is much higher in MICs. In LICs only 17% of working youth (7% of all youth) are full-time employees, working for an employer. All the rest of the working young are in vulnerable employment, either self-employed, unpaid family workers, part-time employed or underemployed, meaning that they work less than full time but want to work full time. The proportion of young people in vulnerable employment is much smaller in MICs, while the proportion of youth who work for an employer is bigger. In LMICs 36% of working youth (9% of all youth) work full time for an employer. In UMICs this share is 52 % (12% of all youth).

Figure 6.3. Youth time use by country income group (2010)



Source: Authors' calculations based on Gallup World Poll (2010).
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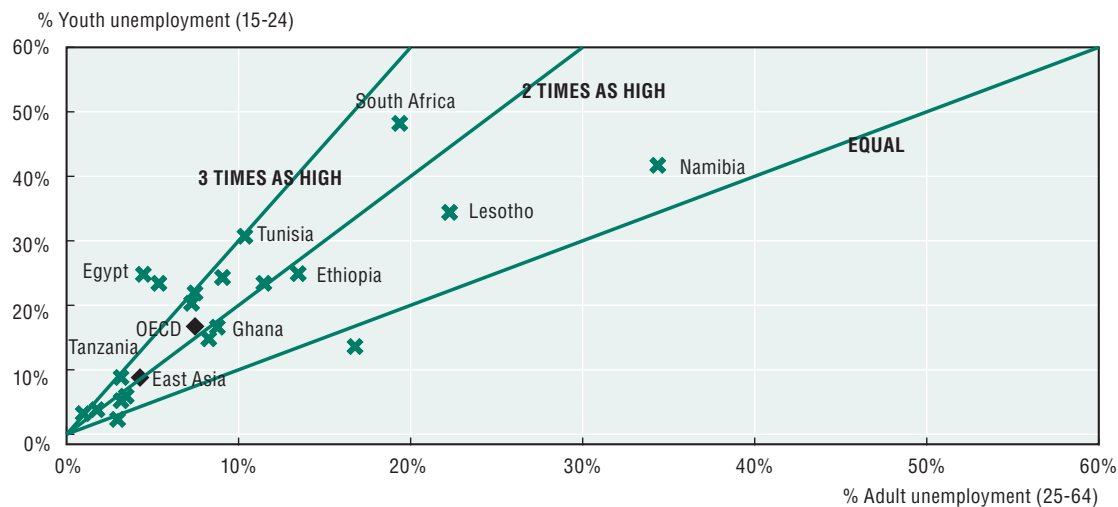
In all country groups more young people are discouraged than unemployed, suggesting that the youth employment challenge has been underestimated. In most labour market analyses the discouraged are not considered part of the labour force and are thus not counted among those in need of work. However, Figure 6.3. shows that focusing only on those counted as unemployed – because they are still looking for a job - underestimates the challenges faced by the young in labour markets. It excludes all those who have given up looking for a job, but are nevertheless inactive and not developing their skills or experience. The high rates of discouragement point to the severity of exclusion from labour markets that many young people face in Africa. As shown below, *unemployed* young people are on average better-off, have more education and have a higher chance of finding employment than the *discouraged*.

When young people are compared to adults, they emerge as overrepresented among the unemployed and the discouraged. Although they constitute around two fifths of the continent's working age population, they make up three fifths of the total unemployed. This phenomenon is not specific to Africa. Youth-specific challenges such as school-to-work transition are evident everywhere. However, in African MICs, the ratio of youth-to-adult unemployment is often higher than in other parts of the world (Figure 6.4.). Among these, Southern African MICs have the highest unemployment rates for both the young and adults, whereas North African MICs have the highest youth-to-adult unemployment ratios.




South Africa had a youth unemployment rate of 48% in 2009, compared to 19% for adults. Egypt, on the other hand, had a youth unemployment rate of 25% compared to only 4% for adults in 2007. Exceptions are poorer countries worldwide, which generally have much lower rates for both young people and adults. This is true in many poor countries of sub-Saharan Africa where adult unemployment is very low and not significantly different from youth unemployment.

Figure 6.4. Youth and adult unemployment⁶



Source: ILO KILM, 7th Edition, 2011, authors' calculations.

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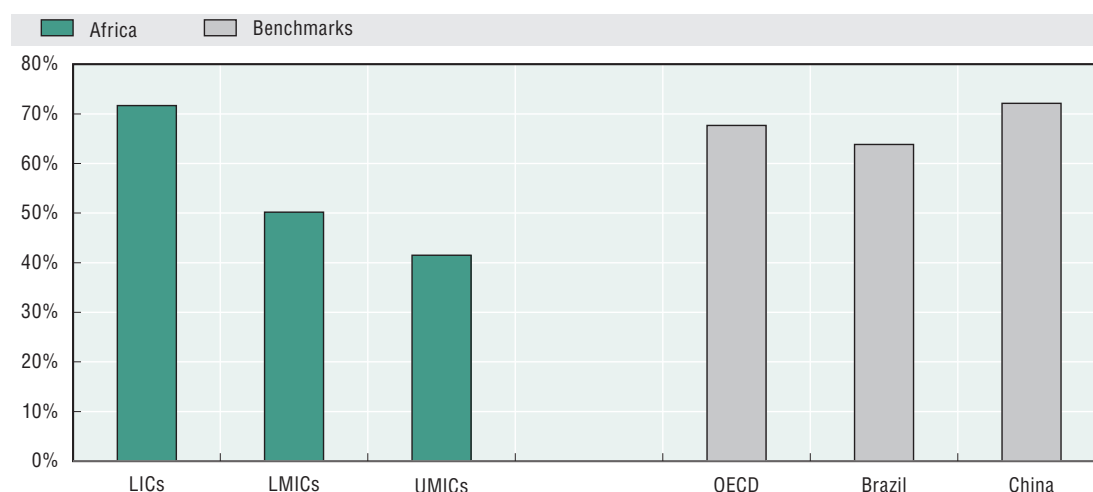
Nevertheless, the employment challenge in MICs is not confined to youth; it reflects insufficient employment capacity in both the formal and the informal sectors. Figure 6.4. shows high youth unemployment, but also a strong correlation between youth and adult unemployment. Countries with higher youth unemployment also have higher adult unemployment. Figure 6.5. shows that employment rates of the working age population drop drastically as countries get richer, a pattern specific to Africa: other UMICs such as Brazil and China have much higher employment rates. Although the very high population growth in Africa certainly plays an important role in these results, the comparison reflects a specifically African “jobless” pattern of growth. Given that formal employment is higher in MICs than in LICs but overall employment much lower, Figure 6.5. points to the lack of informal employment opportunities in MICs as a bottleneck.

Country level data suggest that youth employment is largely a problem of *quality* in LICs and one of *quantity* in MICs. Figure 6.6. shows five distinct types of labour markets for youth observable in Africa, based on GDP per capita, the level of wage employment (proxy for formal sector employment), vulnerable employment (proxy for informal sector employment) and NEET. The poorest countries have little wage employment, a large share of vulnerable employment and few youth in NEET. This group stretches from post-conflict states such as Liberia and Sierra Leone, where fewer than 5% of the out-of-school young were in full-time work for an employer in 2010, to countries such as Burkina Faso, Mauritania and Tanzania where this rate was just slightly higher and still below 10%. Working poverty among their youth in vulnerable employment is the biggest challenge in these countries. At the other end of the spectrum South Africa, Botswana and Algeria stand out for their low rates of vulnerable employment paired with very high NEET rates. Namibia is probably another member of this group, but not included in our sample. Morocco, Tunisia and Egypt follow the same general



trend but have a better profile, with lower NEET and more wage employment than the group to the right, despite their lower GDP per capita. Senegal, Sudan and Djibouti represent the only stark deviation from the trend. Their NEET rates are high and vulnerable employment comparatively low at a level of GDP per capita that is correlated with much lower NEET and more vulnerable employment in other countries.

Figure 6.5. Employment rate to working age population (15-64) in Africa and comparators



Source: ILO KILM 7th Edition, 2011, authors' calculations.

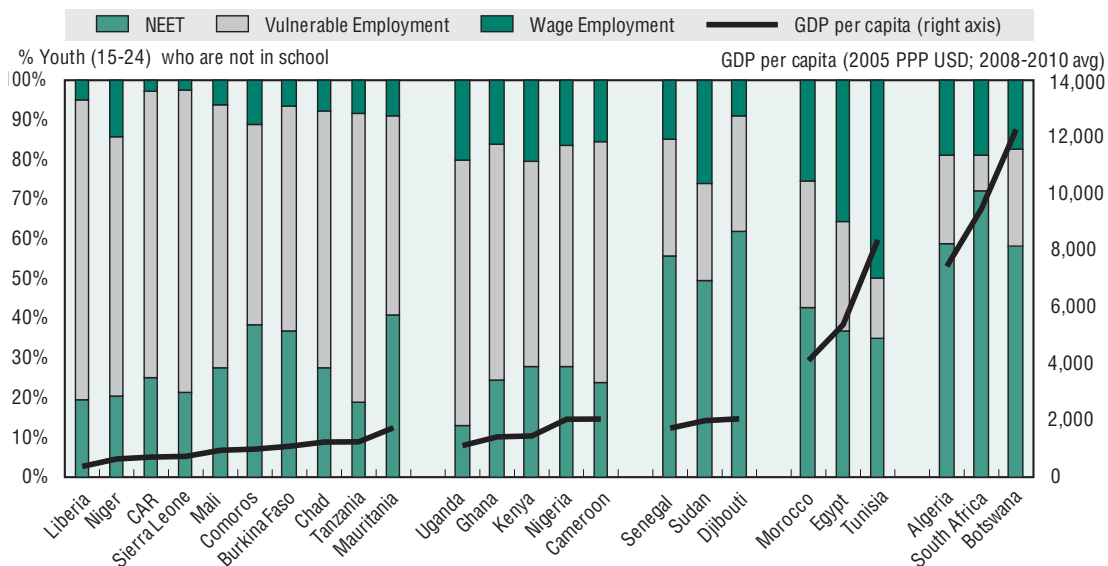
[StatLink http://dx.doi.org/10.1787/888932600355](http://dx.doi.org/10.1787/888932600355)

Theory has it that where employment is quality constrained (work is available, but not of a high quality), unemployment would primarily be voluntary among those who can afford it. Where employment is quantity constrained (work of any sort is not available), however, the “bourgeois” hypothesis of unemployment no longer holds. Where work opportunities abound, unemployment would be freely chosen by those who can afford to forego an immediate work opportunity in a low-paying or low-quality environment and invest time in searching or queuing for a better job. With this type of unemployment in mind, Myrdal (1968) wrote: “unemployment is primarily a bourgeois problem and is most pronounced among those who have been accustomed to drawing support from their families – persons with some education and new entrants into the labour force.” Such a view of unemployment evidently rests on the assumption that demand for labour is not quantity constrained. Those who do not have the wherewithal to be unemployed would have no problem in finding a job in the large informal sector which “acts as some kind of a low earnings absorbent sponge” (Turnham and Eröcal, 1990) and has no entry requirements. Where labour demand is lower than labour supply, however, young people in search of employment would not be able to find any work because there is no work and thus remain unemployed. Such unemployment would be involuntary and undesirable, not at all “bourgeois”.

Using data on the material well-being of individuals support can be found for both quality and quantity constraints. Gallup World Poll data on food insecurity can be used as a measure for material well-being. Those who report having gone several times without enough food during the past year are considered moderately food insecure. Respondents who have gone without enough food many times or always are considered severely food insecure. Figure 6.7. shows the level of moderate and severe food insecurity by employment status for young people in LICs and in MICs. In LICs wage employed, students and unemployed youth have the



Figure 6.6. Five types of labour markets for youth in Africa



Source: Authors' calculations based on Gallup World Poll (2010) and World Bank (2011a).

StatLink  <http://dx.doi.org/10.1787/888932600374>

lowest food insecurity rates. Youth in vulnerable employment categories have the highest food insecurity. Discouraged and inactive youth have much higher food poverty rates than the unemployed but these are still lower than those of contributing family workers. In countries with higher per capita incomes the rankings among the better-off change dramatically. In MICs unemployed youth have the highest food insecurity rates, together with the underemployed. Unemployed youth in MICs are more likely to be food insecure than unemployed youth in LICs.

Indeed, one reason for lower poverty among youth in NEET is that the poorest cannot afford not to work. Many of the poorest young must work to support themselves and their families and cannot go without income while searching for better job opportunities or being idle. Working poverty and unemployment rates are strongly negatively correlated in Africa, suggesting that many young people prefer unemployment over working poverty and will chose unemployment in the hope of finding a better job when they can afford it.

Yet structural links are at work too. As countries grow richer low-skilled jobs disappear and the informal sector faces increasing demand constraints. As countries grow richer their economies often become more competitive and capital-intensive, shifting jobs away from the low-skilled to the semi and highly-skilled. At the same time the growing middle class increasingly demands higher quality goods, which puts pressure on many informal sector producers who often offer goods of lower quality. Surviving in the informal sector thus gets tougher (i.e. more people fall out of the informal sector into unemployment), but returns are higher for those who are successful.

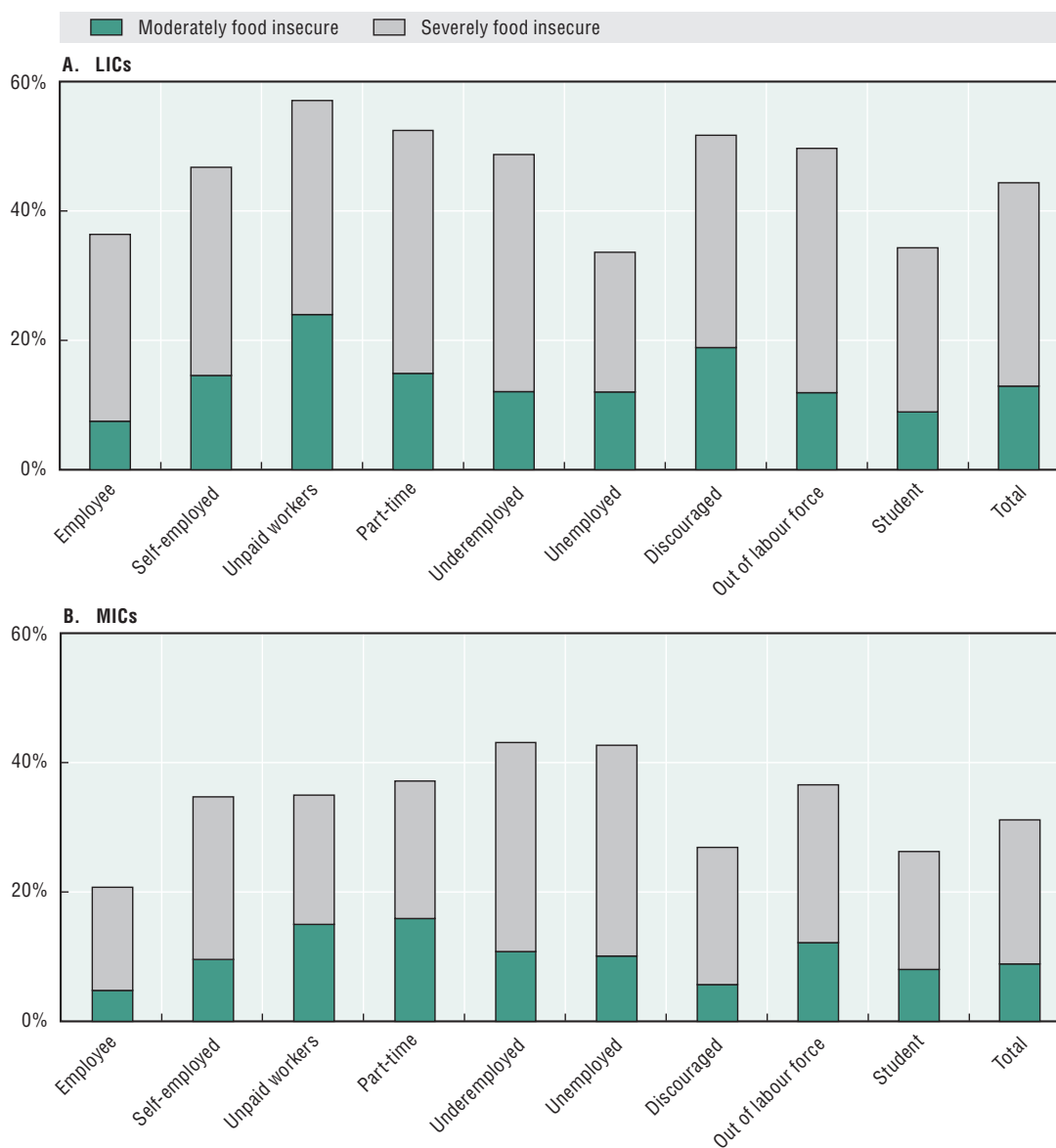
The following sections take a closer look at youth in employment and those out of employment.



Who are the working youth in Africa?

This section looks at the main characteristics of youth in employment and the characteristics that distinguish the young in wage employment from those in vulnerable employment.

Figure 6.7. Moderately and severely food insecure by employment status and country income level



Source: Authors' calculations based on Gallup World Poll (2010).

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“Good” jobs vs. “bad” jobs

Good jobs must serve to translate economic growth into material well-being. Yet for most of the working young in Africa this link is broken. The concern with employment stems primarily from a concern for the material well-being of young people. The assumption behind calling for jobs for Africa’s youth is that jobs are good and allow young people to make a living, provide for their family and build a stable foundation for professional growth. Yet a closer look at most types of youth employment, and employment in Africa in general, reveals that only a very few jobs meet these assumptions. Working poverty, vulnerable employment and underemployment abound among Africa’s youth and across all occupations. The ILO estimates that across a sample of 24 African countries 49% of working young people live on less than USD 1.25 a day and 73% live on less than USD 2 per day. Using food insecurity as a measure of material well-being, Figure 6.7. showed similar results. Across 22 countries, 41% of young people in work are food insecure. The figure for young people in vulnerable employment in LICs who are food insecure is 50%: 15% are even severely food insecure, meaning that they have gone without food many times during the past year. Figure 6.7. also showed that many among the young people in work are worse off than those still in school or in NEET.

Job quality is closely linked to employment status. High job quality is associated with full-time wage employment, low job quality with vulnerable employment and underemployment. In terms of material well-being, working conditions and security, the best employment status to have is full-time wage employment for an employer. These young people have the lowest food insecurity rates and the highest rates of life satisfaction. Other types of employment, such as self-employment and contributing family work, are much more precarious, linked to higher poverty and poorer working conditions, and are therefore summarised as vulnerable employment. The young in vulnerable employment lack the social protection and safety nets to guard against times of low economic demand and are often incapable of generating sufficient savings for themselves and their families to offset these times. The third type of employment status is underemployment. The underemployed face exclusion from labour markets, and are unable to use their full labour capacity productively. They have a part-time occupation, but want to work full time and cannot find full-time work. Better-off young might well spend some time in unemployment, investing that time in finding a better full-time job. Most young people in underemployment also have lower earnings than those in full-time employment.

In most African countries vulnerable employment and informality are closely linked. Informal employment comes in two forms: informal employment in the informal sector (i.e. in micro-enterprises and other non-registered businesses⁷) and informal employment in a formal firm (i.e. employment without a contract and social protection in enterprises with five employees or more). Informal sector employment is the dominant form in most of sub-Saharan Africa. Heintz and Valodia (2008) find that self-employment of various kinds is the predominant form of informal employment, accounting for four-fifths of informal employment in Kenya, Ghana, Mali and Madagascar. Vulnerable employment and informal employment are thus closely linked.

Despite the close link between vulnerable employment and informal employment, informality needs to be considered separately from employment status. This is in part because some informal own-account workers might be quite well-off and not vulnerable at all. A small proportion of informal firms are quite successful, enjoying high productivity and growth rates. Such entrepreneurs actively choose informality to avoid paying taxes and complying with regulations, and also to opt out of social insurance schemes and other public services that they consider to be of low quality (Jütting and Huitfeldt, 2009, Perry et



al., 2007; Maloney, 2004; Jütting et al., 2008). Although formality and participation in social protection should generally be encouraged, successful informal entrepreneurs, especially among the young, can provide many lessons for creating jobs for the young. On the other hand, where informal employment in the formal sector is a widespread practice, wage and salary workers might carry high economic risk and wage employment is thus no longer identical with good jobs. This is the case in some middle income countries: Charmes (2009) finds paid employment accounts for 65% of informal employment in Egypt and 79% in South Africa during the 2000s, up from 50% and 75% respectively during the 1990s. De Vreyer and Roubaud (2012) come to similar findings for urban West Africa in the early 2000s, where informal employment accounted for 40% of wage employment. In MICs and some urban areas, vulnerable employment is thus still a good measure of bad jobs, but tends to underestimate the full extent of bad jobs in the economy.

Vulnerable employment is the most prevalent form of youth employment in most African countries. Only upper middle income countries have more wage employment. According to Gallup World Poll data, in 2010, 75% of the working young were in vulnerable employment in low income countries, and 57% in lower middle income countries. In upper middle income countries, 26% of working youth are in vulnerable employment. Among the countries in the LFS analysis, Mali has the highest share of vulnerable youth employment with 95%, South Africa the lowest with 12% (Table 6.1.).

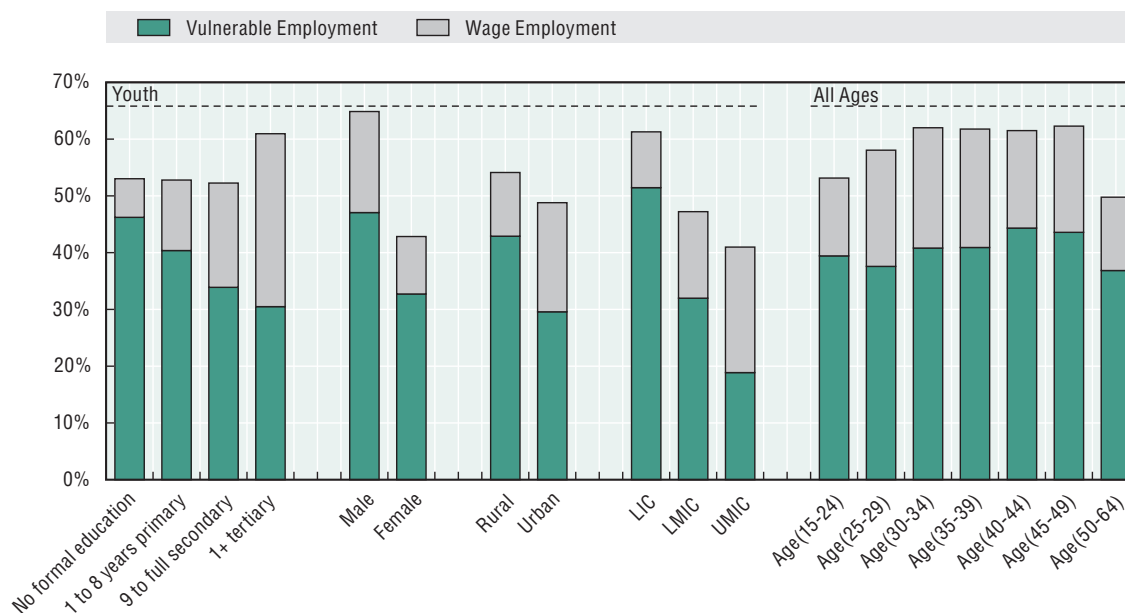
Table 6.1. Wage employment and vulnerable employment among Africa's working young

Country	Wage employment	Self-employment	Contributing family work	Other	Total	Vulnerable employment ⁸	
						Full-time or voluntary part-time	Under-employment
Gallup World Poll (2009/10)							
LMCs	24.7	43.2	32.1	0	100	49.9	25.4
LMICs	43.0	43.2	13.8	0	100	35.1	21.9
UMICs	73.6	23.3	3.1	0	100	10.3	16.1
LFS (2002-2007)							
Botswana	62.8	7.2	29.9	0.1	100	35.7	
Congo	20.1	55.3	17.8	7.5	100	72.5	
DR Congo	10.1	49.1	36.3	4.2	100	85.4	
Egypt	64.9	4.1	31.0	0	100	35.1	
Ethiopia	17.9	24.1	58.0	0	100	82.1	
Ghana	13.3	26.2	50.4	10.2	100	75.6	
Malawi	14.9	18.9	56.0	10.3	100	74.9	
Mali	5.4	41.6	53.0	0	100	94.6	
Nigeria	72.6	17	8.5	1.9	100	25.5	
Rwanda	27.7	16.8	55.5	0	100	72.3	
Senegal	12.3	41.7	46.0	0	100	88	
South Africa	84.8	7.09	5.9	2.1	100	11.8	
Tanzania	8.0	9.0	20.2	62.8	100	28.5	
Uganda	14.0	20.9	63.6	1.6	100	84.4	

Shows the distribution of wage and vulnerable employment among young people who are working or NEET, excluding students, by education, gender, rural and urban living and country income level. On the right side the graph also shows the distribution of employment by age cohort.



Figure 6.8. Employment and its drivers



Source: Authors' calculations based on Gallup World Poll (2010).

StatLink <http://dx.doi.org/10.1787/888932600412>

Living in a rural area and having little education are good predictors for being in vulnerable employment. The average young worker in Africa lives in a rural area and works in family-based farming. Of youth in rural areas 79% are in vulnerable employment compared to 61% in urban areas: 72% have no, or only some, primary education. Among working young people who have no education 90% are in vulnerable employment. For those with secondary education the proportion is 70% and falls to 55% for those with at least one year of tertiary education.⁹

Box 6.2. Child labour and working poverty

Child labour is still a pervasive phenomenon which conditions the life of future generations. It is estimated that 60% of child labour in the world is in agriculture, and especially in its most hazardous forms (ILO, 2011a). Child labourers of today are likely to become the unskilled youth of tomorrow. They find it harder to get jobs, start their own businesses or run productive farms. They are less able to provide for their families, they put their own children to work to meet basic household needs, and the cycle of poverty continues. The elimination of child labour is fundamental to promoting better employment prospects for youth. Children need time and energy to participate fully in relevant and good quality education to become skilled youth able to meet the demands of the labour market or become successful entrepreneurs. They will be more likely to have higher incomes as youth and adults through increased productivity as producers or employees. This is in part because as educated producers, they will be more likely and able to innovate, adopt new technologies and allocate resources efficiently.



The strongest predictors for job quality and wage level are education and the country's income level. Multivariate analysis of both Gallup World Poll (Annex 2) and LFS data (AfDB, 2012) reveals that the strength of a country's economy and the level of education are strong predictors for being in wage employment rather than vulnerable employment and for having a higher wage. The share of wage employment increases with education and is much higher among university educated youth and adults than among those with no or little education.

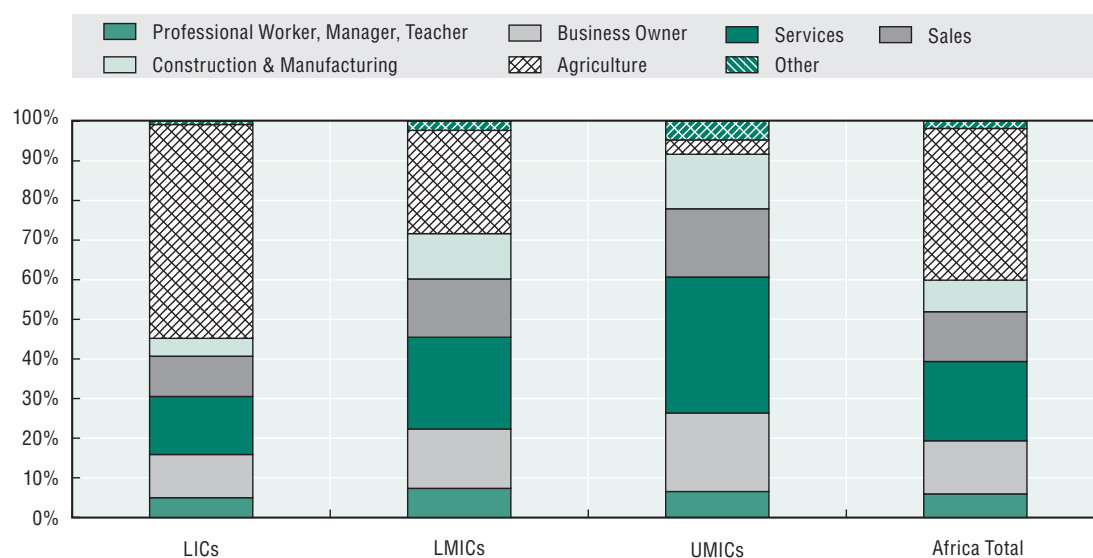
The most powerful predictor for being in vulnerable employment is working in farming. Everything else being equal, not working in farming has a stronger influence on the likelihood of being wage employed than having tertiary education. This result underlines the very small role that commercial farming plays in employment in most of Africa compared to traditional farming.

Women are less likely to work than men, but among working women vulnerable employment is more frequent than among working men. Education has a stronger positive impact on women than on men.

Youth employment by sectors

Understanding the types of work that young people undertake is important in identifying their role in the economy and how best to support them. Many barriers and obstacles that youth face are specific to the type of work they do. Young people in agriculture, for example, could be much more productive if they knew about better production methods or had access to important inputs such as tools and fertilisers. Equally important is better access to markets to sell their products, which often represents a big hurdle for agricultural producers in rural areas. Many young people in urban areas, on the other hand, work as street vendors or hawkers (see also Box 6.3.). They face very specific challenges such as credit constraints, of which their suppliers will take advantage in order to pocket most of the profits, or harassment by public officials who also want a share of their profits. Knowing *where* young people work can thus help policy makers to support them most effectively.

Figure 6.9. Where young Africans work



Source: Authors' calculations based on Gallup World Poll (2010).

[StatLink http://dx.doi.org/10.1787/888932600431](http://dx.doi.org/10.1787/888932600431)



While the average young worker in Africa is in family-based agriculture, other important occupations are services and sales and 13% are business owners. Manufacturing plays only a small role in LICs but is important in UMICs. According to Gallup World Poll data, the average young worker in Africa lives in a rural area and works in farming attached to the family: 38% of working youth in Africa are in agriculture. Yet this average changes dramatically with a country's income level. In upper middle income countries only 4% of working youth are in farming – not far from the OECD average of 2%. Of African young people 20% work in services, including clerical work, transportation, repair and installation work, and 13% in sales, while 13% identify themselves as business owners. The proportion of business owners among the young increases significantly with a country's level of economic development, in all probability reflecting better conditions for entrepreneurs. In upper middle income countries 20% of working youth are business owners, compared to 11% in low income countries (Figure 6.9.). Construction and manufacturing jobs account for only 8% of the working young across Africa and only 5% in low income countries. In upper middle income countries 14% of working young people are employed in construction and manufacturing.

Box 6.3. Street trading in Africa, a typical urban sales job

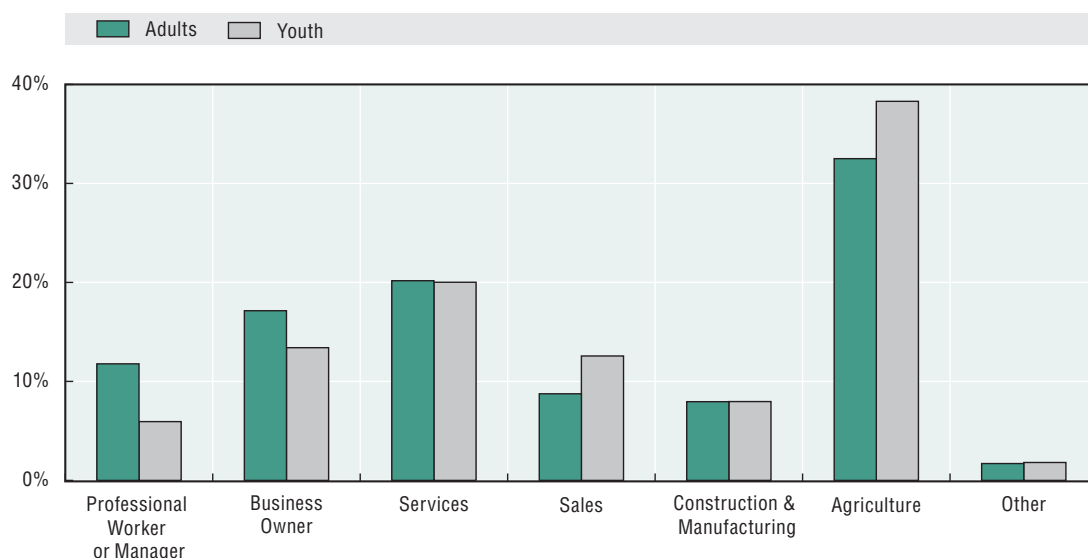
Informal street trading accounts for a large proportion of new urban jobs in sub-Saharan Africa, the result of a combination of factors such as urbanisation, migration and economic development (Skinner, 2008). The main concerns of street traders relate to the right to a place to work and harassment by police, city officials and retail traders. Other worries have to do with the strong position of wholesale traders and access to capital. Often traders have to borrow from the wholesale traders at very high interest rates. The strengthening of organisations of street traders and their participation in urban planning are central to addressing these concerns. “Best practice” is found in Dar es Salaam (Tanzania) and Durban (South Africa), where street traders have been issued licences to operate. Associations of street traders have established good relationships with city authorities and specific infrastructure was set up in central locations. However, many street traders are not members of any organisation.

Source: Jütting and Huitfeldt (2009).

Adults are more likely to be professional workers or business owners, reflecting higher entry requirements and scarcity of opportunity for youth (Figure 6.10.). The occupation category with the best income, status and education profile is that of professional worker. This includes all white collar professions, such as doctors, lawyers, teachers, accountants etc., as well as employees with executive functions in the private and public sectors. In Africa 12% of working adults fall into this category, compared to only 6% of youth. This gap partly reflects the higher entry requirements into this occupational category, often requiring tertiary education or several years of working experience. However, it also reflects a scarcity of these good jobs for young people compared to adults, as a result of reductions in the public sector workforce through lower recruitment. Business owners are also more likely to be found among adults than the young (17% versus 13%). Although the business owner category is largely made up of informal self-employment at low rates of productivity, the higher proportion of adults reflects entry barriers into self-employment in the form of capital requirements and the need for business expertise, skills and a network of contacts that are usually accumulated through working experience.



Figure 6.10. Youth and adults by occupation



Source: Gallup World Poll (2010), authors' calculations.
StatLink <http://dx.doi.org/10.1787/888932600450>

Who are the Unemployed, Discouraged and Inactive Youth in Africa?

The NEET category is made up three distinct states of employment: unemployment; discouragement; and inactivity, or having left the labour force. Traditional labour market analysis counts the unemployed among the labour force, whereas the discouraged and inactive are considered to be outside it.

- The *unemployed* are without work, actively looking for a job and able and willing to start work.
- The *discouraged* are equally without work and able and willing to start work, but are not looking for a job. Most of them have given up or never even attempted to search for a job because they consider it futile. When asked the main reason why they are not working, almost a third of the discouraged young answer that they are unemployed (Figure 6.14.), clearly unaware of the labour analysts' definition of unemployment.
- Finally, the *inactive* are either not doing anything at all or pursuing activities that do not contribute directly to any economic activity, as work in a family enterprise or on a family farm would.

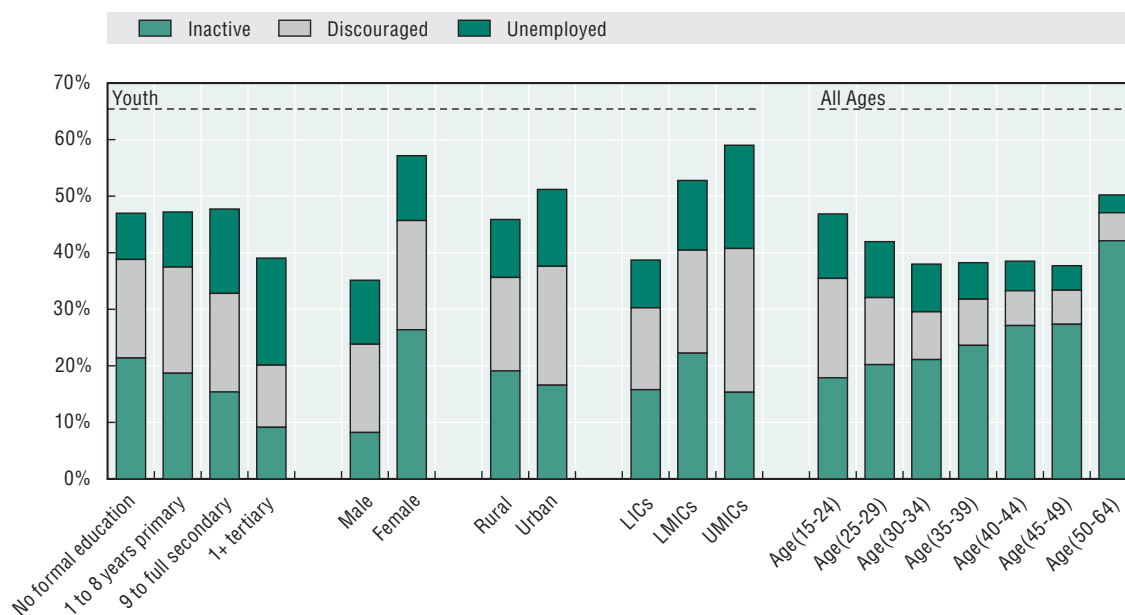
Figure 6.11. shows the distribution of youth in unemployment, discouragement and inactivity among those that are working or NEET, excluding students, by education, gender, rural and urban living and country income level. On the right side the graph also shows the distribution of employment by age cohort¹⁰. Three important observations stand out:

- First, unemployment increases with education, but discouragement and inactivity decrease.
- Second, women have much higher rates of inactivity (i.e. not actively participating in economic activities, including agricultural work or work for a household enterprise), but similar rates of discouragement and unemployment.
- Third, unemployment and discouragement are higher among younger cohorts than older ones, but the proportion of the inactive increases with age.

The following three subsections take a closer look at each of these NEET categories and these observations.



Figure 6.11. Who are the unemployed, discouraged and inactive youth in Africa?



Source: Authors' calculations based on Gallup World Poll (2010).

StatLink <http://dx.doi.org/10.1787/888932600469>

The unemployed

This section takes a closer look at the unemployed by a number of characteristics, such as whether they live in rural or urban areas, their education and gender. Knowing more about the characteristics of the unemployed is important if their needs for support are to be understood.

Unemployment is higher among urban youth. Most Africans live in rural areas and so do most of Africa's young and most of the unemployed. However, among those who live in urban areas unemployment rates are higher than among the rural young. In some countries, the urban youth unemployment rate was estimated to be more than six times higher than the rate in rural areas (AfDB 2012, Figure 6). In multivariate analysis of the determinants of unemployment, the urban coefficient nearly always comes out as positive and significant (Annex 2 and AfDB, 2012). This higher rate of urban youth unemployment seems to be the result of migration by the young from the countryside to towns in the hope of better opportunities, increasing the young urban population as well as competition in the urban labour market. The proportion of young people as a proportion of the urban population tends to be slightly higher than their share of the rural population. In Rwanda, 26% of the urban population are young, compared to 23% of the rural population. In Mali the equivalent statistics are 19% and 13% respectively (AfDB, 2012).

A similar pattern holds for education: most unemployed young people have little education but the young who do have some education are more likely to be unemployed. Certainly most young unemployed have little education, because Africa's overall education profile is very poor. However, unemployment rates tend to be higher among the educated than the uneducated. Young people with no education are more likely to be discouraged or working. While this pattern holds for almost all African countries, unemployment rates among the educated tend to be much higher in MICs than in LICs (Table 6.2.). The highest



rates of unemployment among university graduates are found in North African countries and South Africa. In Tunisia the unemployment rate among university graduates in 2008 was 33% among men and 46% among women (Stampini and Verdier-Chouchane, 2011). In Egypt unemployment among university graduates was 34.2% in 2006. In South Africa it was 34.9% in 2007 (Table 6.2.). These high rates point at serious mismatch and school-to-work transition problems that will be discussed in more detail in the section on education later in this report.

Table 6.2. Youth unemployment by level of education (%)

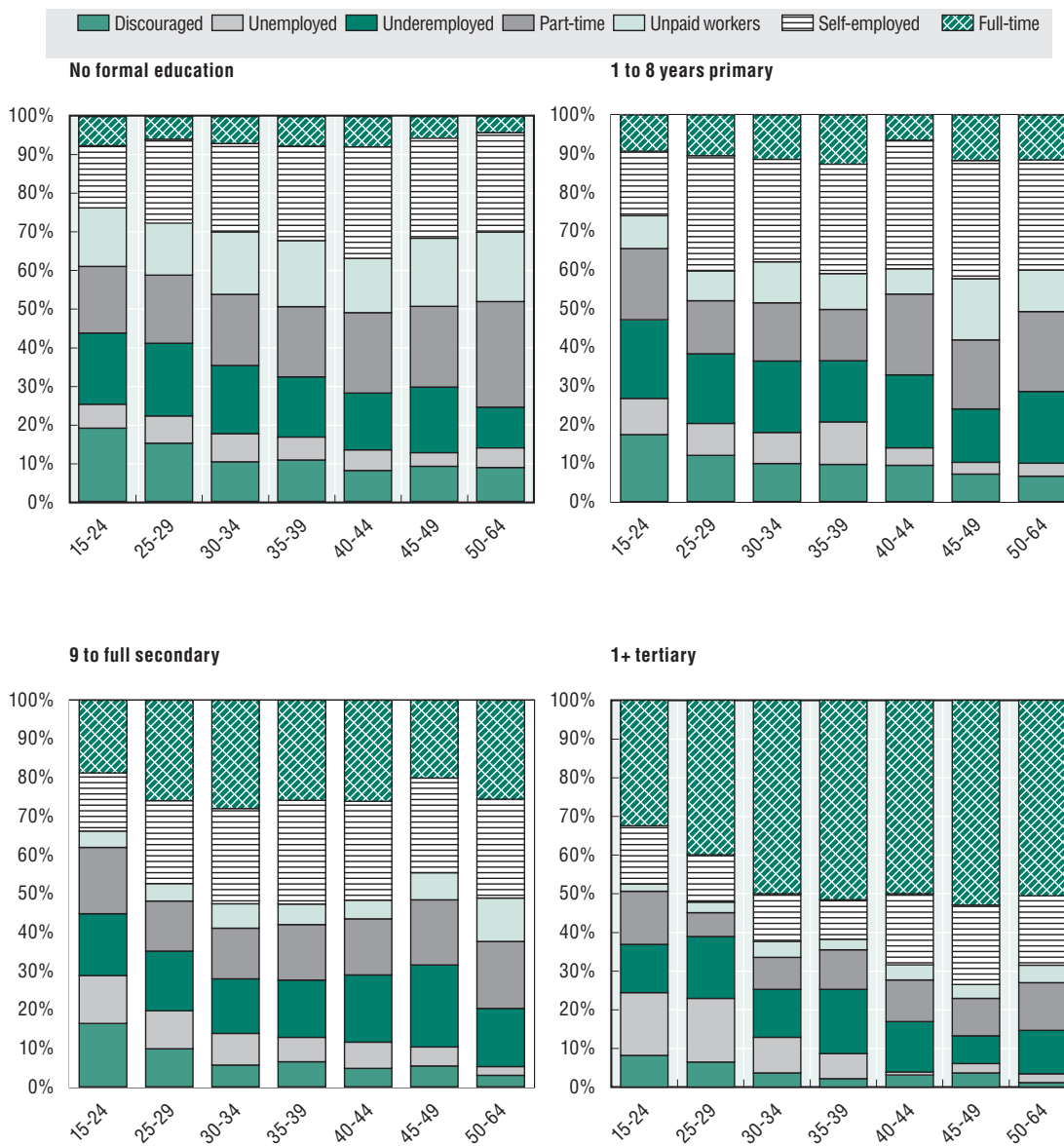
Data Source	Country	No education	Basic education	Secondary education	Vocational	University/Tertiary
Gallup World Poll (2009/10)						
	Low Income	7.9	12.1	15.9	..	18.8
	Middle Income	22.7	17.5	29.5	..	34.6
National surveys (2002-2007)						
	Botswana	24.4	33.7	37.8	29.7	33.0
	Congo	0.0	39.7	43.4	0.0	47.8
	DR Congo	0.0	0.0	0.1		4.8
	Egypt	4.9	9.7	51.2		34.2
	Ethiopia	1.9	6.9	37.0	21.6	13.5
	Ghana	3.2	6.2	14.6	17.2	46.1
	Malawi	1.3	0.6	4.5	11.7	23.2
	Mali	10.2	18.5	54.1	65.1	85.3
	Niger	7.9	16.9		16.1	
	Nigeria	11.7	15.6	19.7	14.7	21.1
	Rwanda	4.6	5.1	20.2	10.7	
	South Africa	31.4	54.9	54.3	49.7	34.9
	Senegal	14.1	25.2	30.2	14.3	6.8
	Tanzania	2.3	8.1	32.8	23.4	23.2
	Uganda	0.9	2.1	6.3	6.6	19.0

Source: Gallup World Poll (2009/10) and national household surveys, authors' calculations.

In spite of their higher rates of unemployment, those with higher levels of education are more likely eventually to escape unemployment than those with lower levels of qualifications. As was seen in the preceding section, young people with a university education not only have the highest unemployment rates, they also have the highest rates of wage employment. In addition, analysis of earnings provides evidence that those with higher level qualifications earn more when they are in employment (see annex 6.2.). Previous research (World Bank, 2008) has shown that, over time, as young people gain initial experience, higher education increases the employment incidence and enhances occupational mobility. Figure 6.12. and Figure 6.13. show that unemployment and discouragement rates among those with secondary and tertiary education are much lower for those over 30 than for younger cohorts, suggesting that most unemployment, and even discouragement, among educated youth is largely a transitory phenomenon.



Figure 6.12. Employment status by education and age cohort in LICs

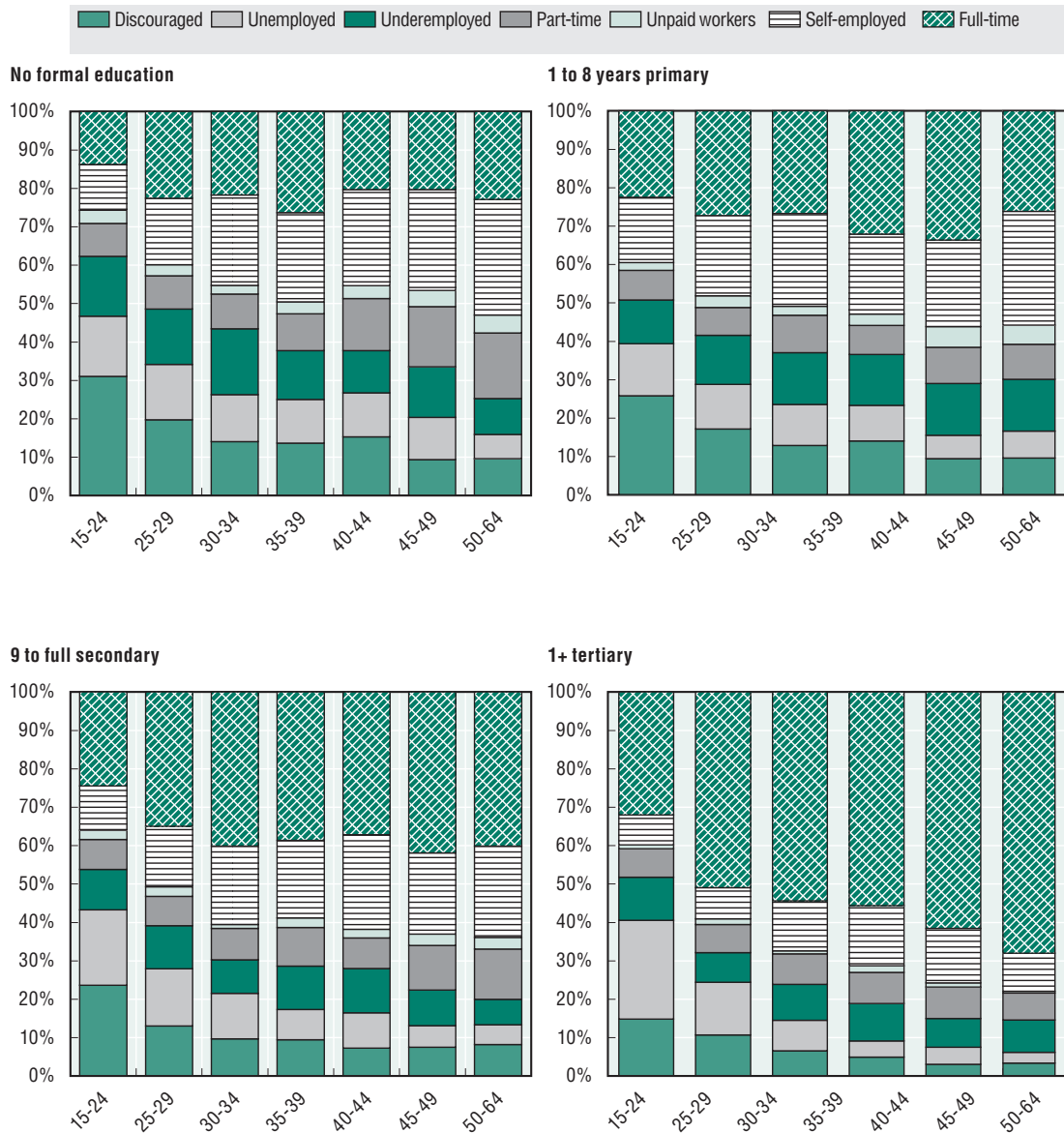


Source: Authors' calculations based on Gallup World Poll (2010).

StatLink <http://dx.doi.org/10.1787/888932600488>



Figure 6.13. Employment status by education and age cohort in MICs



Source: Authors' calculations based on Gallup World Poll (2010).
 StatLink <http://dx.doi.org/10.1787/888932600507>

A closer look at the educated unemployed reveals that the unemployment rate varies by type of educational degree. Among university educated youth in Tunisia the unemployment rate is lowest for engineers (24.5%), and highest for graduates in economics, management and law (47.1%) and in social sciences (43.2%) (Stampini and Verdier-Chouchane, 2011). Assuming similar patterns across other countries the high numbers of students choosing to enter these fields with high unemployment rates are surprising.

Unemployment among educated youth thus fits Myrdal's bill of "bourgeois" unemployment, but is also the result of important mismatches between the education on



offer and what is in demand from employers. The better educated often come from better-off families and can afford to stay unemployed while waiting (“queuing”) for a good job, often in the public sector, behaviour frequently observed in North African countries, but also in Ethiopia (Serneels, 2004) and Senegal. The strong link between field of study and unemployment rate, however, suggests a major mismatch.

Unemployment is slightly higher among women than men. There are considerable variations among countries. Across the Gallup World Poll sample the unemployment rate among young women is 18% compared to 15% for men. This masks strong variations among countries and regions. Across sub-Saharan Africa the unemployment rate for women is 16% compared to 14% for men. In North Africa, however, 31% of women are unemployed compared to 19% of men. In some countries unemployment rates among women are much lower than among men. According to LFS data, the unemployment rate among women in Rwanda is only 60% that of men and in Niger this ratio is 50%. As appears from the following sections, however, women are more likely to be discouraged or out of the labour force than men.

The discouraged

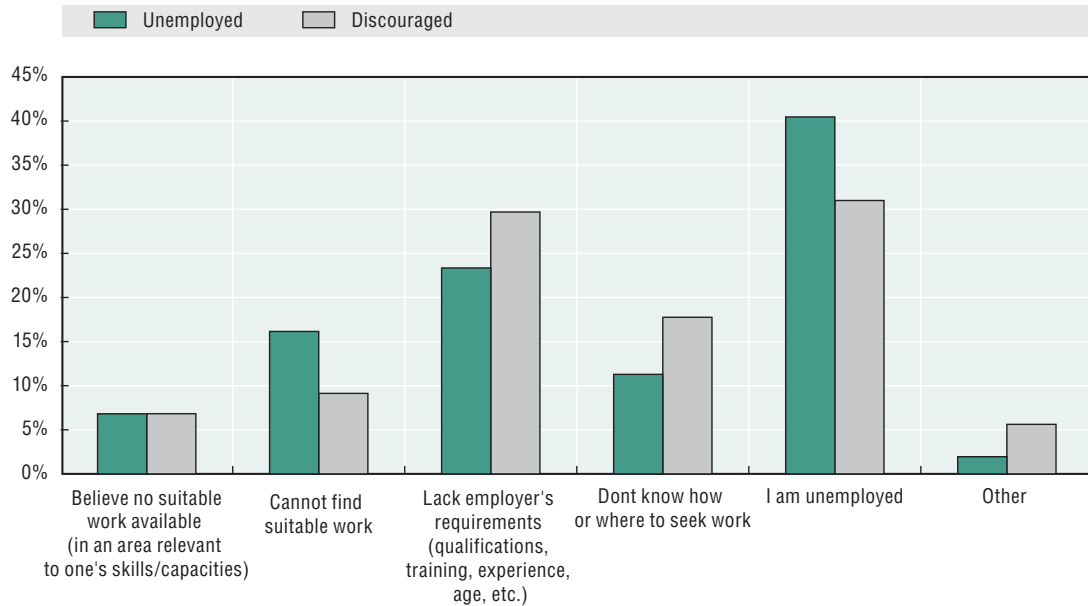
Discouraged young people are more disadvantaged than the unemployed, have less education, higher food insecurity and are more likely to be women. Across the Gallup World Poll sample, 71% of the discouraged young have never been to school or have had only primary education. The impact of education on discouragement is opposite to that on unemployment. For many African countries the more education young people have, the better their chances of not being discouraged (Figure 6.12. and Figure 6.13.). The effect is even slightly stronger for women. In LICs food insecurity among discouraged youth is 52% compared to 34% among those who are unemployed (Figure 6.7.). Like unemployment, discouragement is more frequent among women, and young women are more likely to be among the discouraged than young men. Across the Gallup World Poll sample women are on average 20% more likely to be discouraged than men.

Discouragement generally results from labour market exclusion. The discouraged are more likely than the unemployed to say that they do not know where, or how, to find work, or that they lack employers’ requirements (Figure 6.14.), indicating that they have given up their job search as a reaction to rejection, or have never actively searched because they see little chance of success. Kingdon and Knight (2000) find that in South Africa discouragement is negatively correlated with the likelihood of finding employment, given characteristics such as education and location. The lower the chance of finding a job, the higher the rate of discouragement. The same holds for the Gallup World Poll sample. Multivariate analysis of the determinants of being discouraged, rather than unemployed, produces negative coefficients for education as well as the share of wage employed given education and location. In other words, the more education young people have, and the higher the likelihood of finding wage employment, the less likely it is that they will be discouraged.

Discouragement is higher among urban youth. Like all young Africans, discouraged young people are more likely to live in a rural area. However, when the impact of education is taken into account urban youth are more likely to be discouraged than rural youth. There seem to be two explanations: more competitive urban labour markets, and higher average income in urban areas. First, many young people come to urban areas in the hope of finding work, making urban labour markets more competitive and the finding of employment more difficult. The result is greater discouragement among young people who have not succeeded in finding employment in spite of their search. Second, average income in urban areas is significantly higher than in rural areas. Based on the correlation between higher incomes and higher inactivity rates described in previous sections, urban areas exhibit higher rates of unemployment and inactivity because more of the young can afford it than in rural areas.



Figure 6.14. Unemployed versus NEET: self-reported reasons for not working



Source: Authors' calculations based on Gallup World Poll (2010).

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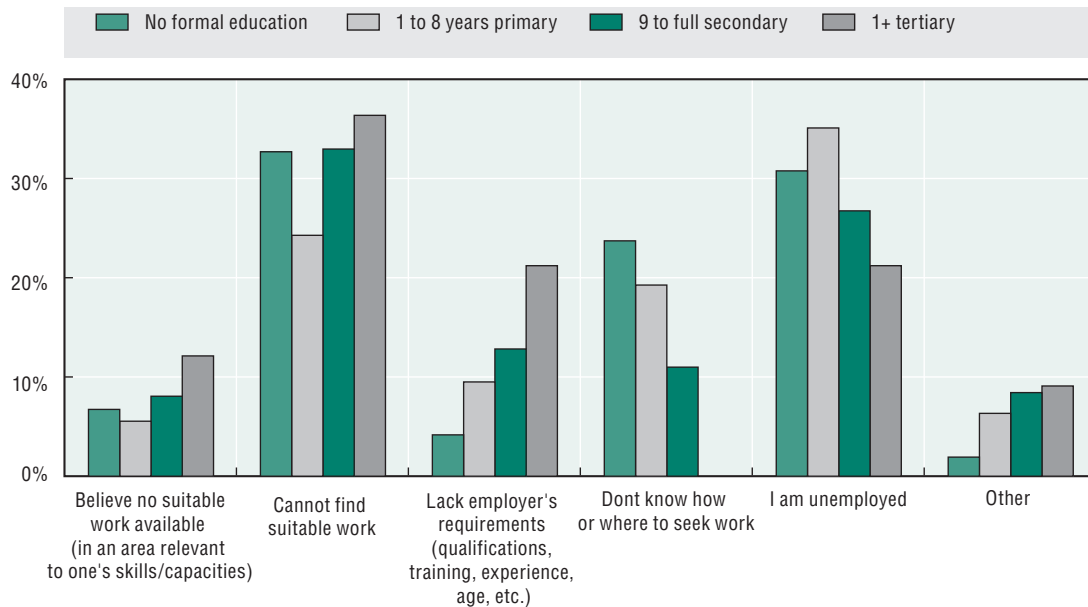
Although young people with higher education are less likely to be discouraged, a significant problem exists. Across most countries only 3% of the discouraged have tertiary education. Nevertheless the discouraged account for over 10% of the university educated in the labour market. Young people with higher education are even more likely to point to lacking the skills required by employers as the reason for being out of work than discouraged youth with less education (Figure 6.15.). Clearly, the young with university education have higher expectations about a job than those who have never been to school. But ineffective education that does not provide the young with the skills sought by employers seems to be a significant problem at all levels of education. Discouraged youth with higher educational qualifications need specific support, helping them to acquire job-relevant skills and to apply the educational training they have obtained in a way that can be useful to them in the labour market or as entrepreneurs. Although they often have the lowest proportions of entrepreneurial aspirations, many highly educated young could become robust entrepreneurs if given the motivation and financial possibilities. Subsequent sections will look into the issue of entrepreneurship in more detail.

The inactive

Among the NEET inactive youth are the worst off. Their average education is the lowest of all NEET. Indeed, 38% have no education at all and another 40% have some or full primary education only. Of inactive youth 47% have gone without food several times or more during the last year. Inactive youth are 40% more likely than the average young African to live in a rural area. Only those who work for a family business without pay (contributing family workers) have a worse record across these characteristics.



Figure 6.15. Self-reported reasons for not working among discouraged youth by educational achievement

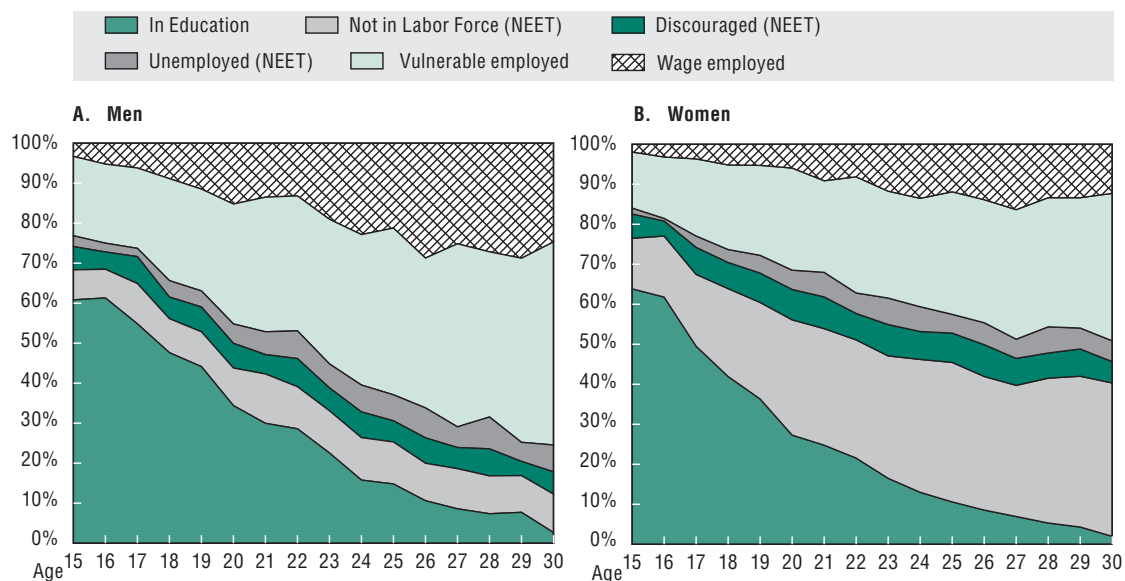


Source: Authors' calculations based on Gallup World Poll (2010).

StatLink <http://dx.doi.org/10.1787/888932600545>

Inactive youth are disproportionately women. On average there are three inactive women for each inactive man. Figure 6.16. shows the distribution of NEET categories by age and gender. The share of women who leave the labour force seems to be driving the differences observed across the other employment categories. Inactive youth are unlikely to make their way back into the labour market. Inactivity often starts immediately after the end of schooling and increases with age. It is the only NEET category for which the adult rate exceeds the youth rate.

Figure 6.16. Transition pathways by male and female youth (15-30)



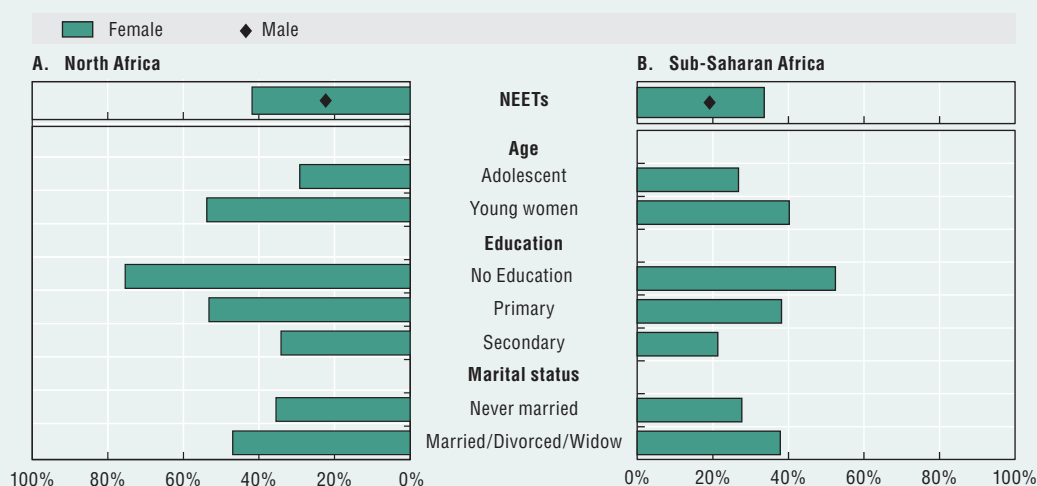
Source: Authors' calculations based on Gallup World Poll (2010).

StatLink <http://dx.doi.org/10.1787/888932600564>



Box 6.4. Women's struggle to join the labour market

Despite a “feminisation of the labour force” that has taken place in the last decades, women still face enormous obstacles in entering the labour market. Generally, in less developed countries, young women experience higher NEET rates than young men. In African countries 20% of young men aged 15-24 are NEETs while the rate for young women in the same age group is 35%. Although the female African NEET rate is lower than that observed in other countries such as India and Turkey, where it reaches 60% and 50% respectively, it still exceeds the rates observed in other countries, such as Brazil and Mexico, and is much higher than that seen in European countries. In many African countries, the lack of qualifications still represents a critical barrier for women's employment, especially in good quality jobs. In spite of significant improvements across the world, Western, Eastern and Central African countries present the lowest participation rates in primary and secondary education, as well as the largest gender gaps in education (OECD, 2012b). The figure in this box shows that women with higher levels of education are less likely to be NEETs than women with less education both in North and Sub-Saharan African regions.



StatLink <http://dx.doi.org/10.1787/888932605846>

Discriminatory social institutions play an important role in shaping women's employment outcomes. Early marriage, which disproportionately affects young girls in some countries in the region, decreases the chances that girls continue studying or engage in economic activities, as they usually become responsible for home tasks and the care of children (UNICEF, 2005). The figure in this box shows that both in North and Sub-Saharan African regions married women are more likely to be NEETs than unmarried women. Young girls are much more likely than young men to be married early and therefore look for more flexible jobs that they usually find in the informal sector. The rates of women in informal employment are higher than those for men across several world regions including Africa, being especially high in informal employment categories with lower earnings. The segmentation of women in the lowest categories of informal employment increases their risk of poverty and, because of the lack of social protection, increases their vulnerability (OECD, 2012b). Gender inequalities in education and employment can also have a negative intergenerational impact, as it has been well demonstrated that children are less likely to be educated or immunised if their mother has not been educated or is not in work (UNICEF, 2006).

The figure in this box shows that the likelihood that girls will continue studying or engage in an economic activity decreases as they enter their early 20s. Adolescence is a decisive time for boys and girls everywhere. But in most African countries while adolescent boys enter the labour market, adolescent girls usually leave school, missing their chance to enter the labour force. For instance, a study done in Kenya on the transition from school to work in the 15-24 age group shows that the NEET rates for women increased as their age increases much more than for men (OECD, 2012b). In African countries there is a need for policies that tackle the specific barriers women face in the labour market and a need to address discriminatory social institutions which hold them back from realising their full potential. The failure to overcome the constraints which prevent women from entering the labour market can have lasting effects on poverty and social exclusion over the course of their lives.



The employment outlook for young people

Public and private formal sector hiring is insufficient

On current trends the employment outlook for young people in Africa is challenging, in spite of strong job growth before the crisis. The arithmetic of population and job growth illustrates the challenge well: although job growth was strong during the decade preceding the global economic crisis, it was nowhere near enough to absorb the growing labour force. The existing private and public employment capacity is simply too small. For 2000-07, the ILO (2011b) estimates that the working age population of Africa grew by 21% (2.6% per year). Job growth during the same period was even stronger at 23%, i.e. 2.9% per year. But in absolute numbers, while the working age population grew by 96 million, the number of jobs grew only by 63 million. With 10 to 12 million young people entering the African labour market every year, job growth must be much stronger to make a dent in the number of unemployed and discouraged youth.

Growth of good jobs in wage employment is even more limited. The estimates presented in the preceding paragraph were for total job creation, not only for good jobs in wage employment but also vulnerable employment. Wage employment creation is much more difficult to estimate as data are scarce. Assuming that wage employment is being created at a similar, or even higher, pace than vulnerable employment, its overall growth will still be very small given the low rates of wage employment in most African countries. In Uganda, for example, although wage jobs grew at 13% every year between 2003 and 2006, they only accounted for one out of five of the new jobs created (World Bank, 2011c).

This is especially true of the public sector, which has been significantly downsized in many African countries over the last two decades. According to Gallup World Poll data only 21% of those aged under 30 with at least secondary education work for the government, compared to 37% among adults aged 30 and over, or almost double. In many countries, this discrepancy is even larger. In Egypt, Morocco and Uganda, for example, the proportion of government workers among young people is only one third that of adults. In South Africa, Nigeria and Tanzania it is around 40% and in Kenya and Tunisia around 50%. To put this in context, in Egypt government work accounts for over 50% of employment among those over 30 with at least secondary education, in Tunisia 35% in South Africa 25% and in Kenya 16%.

Given strong population growth, the role of the public sector as an employer will continue to shrink. Gallup World Poll data would indicate that African governments currently employ about 25 million people aged 30-64, which corresponds to about 10% of Africa's population in this age group, and 14 million aged 15-29 which corresponds to about 5% of Africa's population in this age group.¹² Taking into account rapid population growth, to keep these ratios until 2025, African governments would have to create 29 million new public sector jobs, or 1.9 million a year – an unlikely prospect. North African countries in particular have very high ratios of public sector employment. Based on the same calculation, Egypt would have to create 230 000 public sector jobs annually until 2025 and Tunisia 25 000.

The formal private sector is too small to absorb the growing labour force and transition between formal and informal work seems limited. For most of the young, working as a salaried employee in the formal sector remains a distant dream, especially in countries where the public sector has been shedding labour over the last two decades. Instead, those young people who cannot afford unemployment and a prolonged job search are confined to the informal sector and low quality jobs. Once they are stuck in the informal sector, a move into the formal sector other than through self-employment becomes difficult. Analysing



panel data of youth and adults from Ethiopia, Ghana and Tanzania, Falco *et al.* (2010) and Sandefur *et al.* (2007) find very low transition rates from self-employment into private wage employment or public employment. In all three countries more than 80% of those in self-employment or unemployment were still in that category two years later (2004-06). Figures 6.12. and 6.13. also suggest a significant degree of labour market segmentation, given that the shares of wage and vulnerable employment remain the same across age cohorts of 30 years and above. Unfortunately, only very few studies exist that follow individuals over time to give a better understanding of the transition dynamics between labour market segments.

Box 6.5. Senegal an example of insufficient employment capacity in the formal sector

The high rate of unemployment and underemployment suggests that not enough jobs are being created : around 100 000 higher education graduates arrive on the labour market each year and fewer than 30 000 formal hiring contracts are registered by the service that gathers employment statistics.

An inquiry carried out as part of the YEN/YIF (2009) study among 378 businesses in 26 key sectors found that 10 264 jobs had been created for young people between 2010 and 2014, of which 6 183 were temporary. The size of the latter category reflects the trend among employers to outsource services for the sake of greater flexibility.

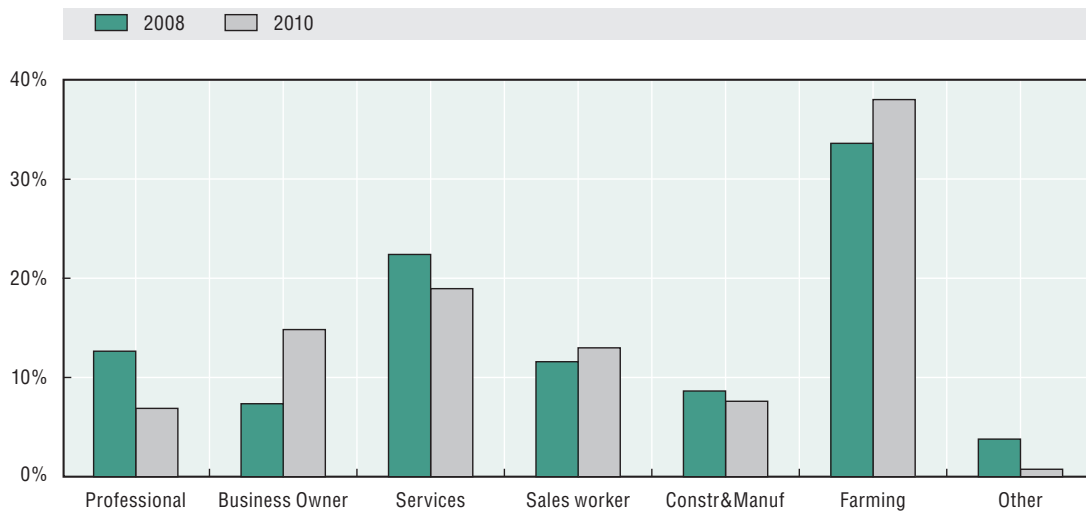
The formal private sector, therefore, does not provide a significant number of job opportunities. The IMF (2010) reports that the volume of employment in the formal sector has stagnated for the past 15 years; the informal sector remains the chief source of jobs. The World Bank (2007), the YEN/YIF (2009) study and the national report on competitiveness in Senegal estimate that the informal sector accounts for 80% to 97% of jobs created. Commerce is the main sector of activity in the informal sector and the principal source of employment in the periurban areas with a large number of street vendors. USAID (2011) shows that the great majority of young Senegalese think the informal sector could not be a best final choice and accept a temporary job while waiting for a formal one.


Source : AEO 2012 Country Note Senegal

The recent economic crisis had a strong negative impact on the employment outlook for young workers. Across a sample of 19 countries where the Gallup World Poll survey was done in both 2008 and 2010, the occupational profile of youth deteriorated significantly during that period. Figure 6.17. shows that professional work and services, the two occupational categories with the highest education and income profile, shrank significantly among employed youth. Business ownership, which largely includes informal self-employment, as well as sales and agricultural work, the two occupational categories with the poorest education and income profiles, instead expanded. Although there is reason to hope that this trend will be to some degree reversed with growth picking up again, it falls within the larger trend of a labour market for youth in Africa that is becoming more rigid.



Figure 6.17. Youth employment by occupation 2008 and 2010:
Informal sector activities and farming have absorbed the impact of the crisis



Source: Gallup World Poll (2010), authors' calculations.
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Youth employment in the informal sector: an opportunity, not a nuisance

The preceding analysis leads to three conclusions.

- First, the formal sector is incapable of absorbing the large amount of new entrants to the labour market.
- Second, informality and vulnerable employment are the norm for many young Africans and provide an alternative to unemployment and inactivity.
- Third, given quantity constraints on formal sector employment, the informal sector will continue to play an important role in absorbing young entrants to the labour market and has to be part of any policy that addresses youth employment.

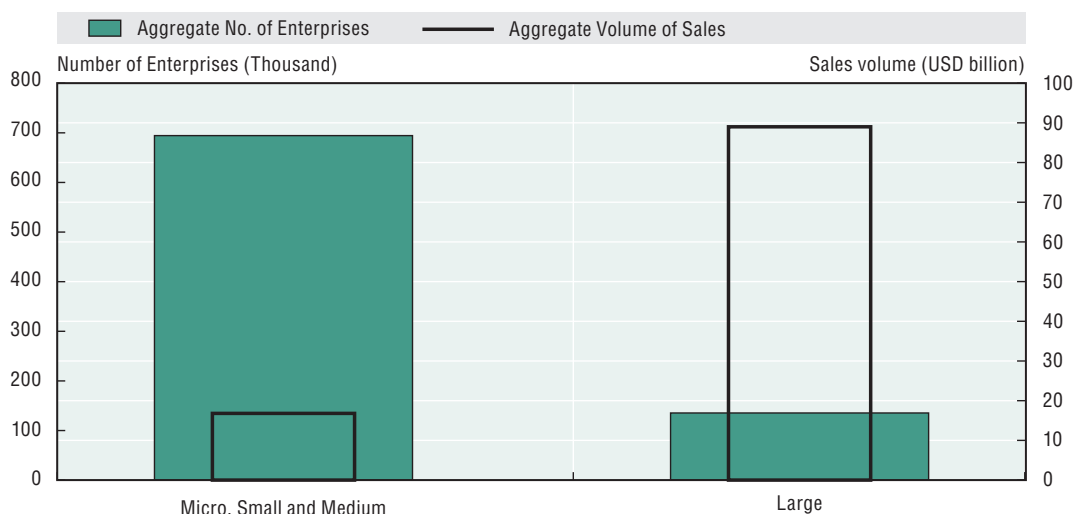
The fact that labour markets are segmented and that developing economies often contain several sectors operating at very different levels of productivity has been among the early insights of development economists. Although true, this had led to ignoring the potential of rural and informal employment. For Lewis (1954) the movement of workers from unproductive agriculture into the productive industrial sector is the very process of development itself. Once most agricultural workers have migrated to industry and the rural workforce has been reduced to a size at which its members can work with high productivity, wages across the economy would start to rise, like a tide lifting all boats. The rural or “traditionalist” sector has since been primarily seen as the pool of unproductive agricultural surplus labour and urban areas as the centres of industrial growth. The informal sector has suffered a similar fate in the development debate. The traditional view holds that it consists of a large share of subsistence entrepreneurs and a rather small share of growth-oriented firms. As a result, little attention has been paid to the potential of the rural and informal sectors as engines for growth.

At first glance the rural and informal sectors do indeed seem to have little to contribute to development and growth. Most entrepreneurs operate at very low levels of capital and productivity. Figure 6.18. from Yoshino (2011) shows the dilemma of Africa’s micro and small enterprises: they absorb labour but the returns they make on this labour are very small.



Rural work does not look much better. Rural youth are more likely to be poor and less likely to be in school. Only 37% of the rural young are full-time students, compared to 49% in urban areas. Rural youth also have a much worse employment profile than urban youth, with higher rates of vulnerable employment and higher rates of food poverty.

Figure 6.18. Aggregate sales and number of enterprises in sub-Saharan Africa, by size



Source: Yoshino (2011) data from Enterprise Surveys in 17 African countries.

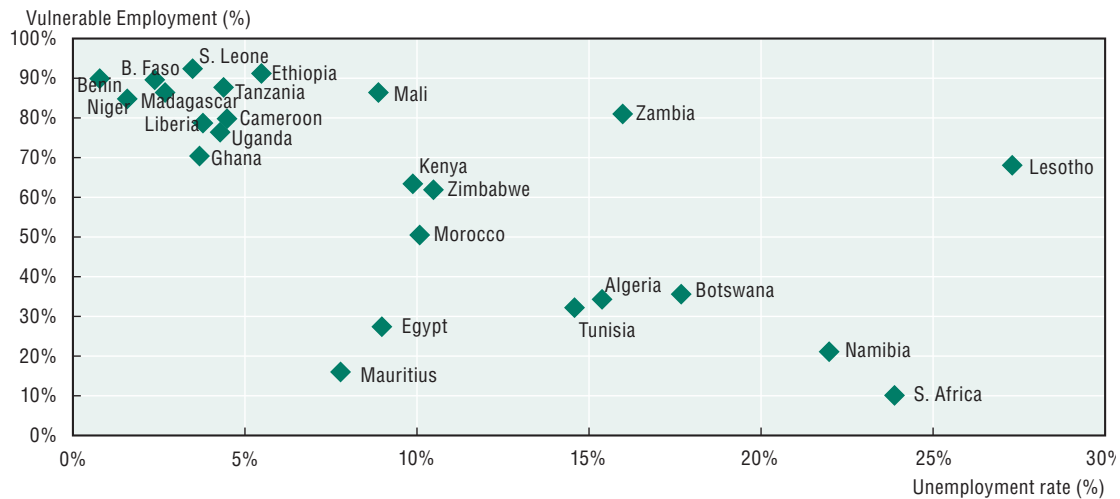
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African policy makers face a dilemma presented by a large informal sector that suffers from very low productivity and wages, but at the same time absorbs all those who cannot find good quality jobs elsewhere and provides a livelihood for the vast majority of young people. Informality and unemployment are both a result of the type of development that fails to generate enough good jobs for all. This phenomenon has been accentuated by the poor capacity of the private and public sectors to accommodate rapid growth in the population and labour force and has been worsened by labour market discrimination and segregation between men and women, social groups and different occupations (Jütting and Huitfeldt, 2009). Figure 6.19. shows the important trade-off between vulnerable employment and unemployment. Given the informal sector’s sheer size in most African countries, and the fact that it is born out of the absence of other opportunities, it has to be seen as part of the solution, not the problem.

The informal sector presents opportunities and is part of the solution to Africa’s youth employment challenge. Recent evidence for a number of countries in Latin America, Africa and Asia shows that returns to capital in the urban informal sector are high, often in the range of 60 to 70% annually, in particular at very low levels of capital (Banerjee and Duflo, 2004; McKenzie and Woodruff, 2006; De Mel et al., 2008; McKenzie and Woodruff, 2008; Kremer et al., 2010; Fafchamps et al., 2011; Göbel et al., 2011; Grimm et al., 2011a). This finding contradicts the conventional wisdom that there is little potential in subsistence activities and that most own-account activities are a simple reaction to a lack of alternatives. Quite to the contrary, there seems to be significant potential for growth among microentrepreneurs. Yet high returns remain largely unexploited as a result of a number of economic, institutional and social constraints (Grimm et al 2011a; Grimm et al., 2011b). Removing these constraints would enable entrepreneurs to grow their business, achieve their full productive potential and create good quality jobs for themselves and others.



Figure 6.19. The trade-off between vulnerable employment and unemployment

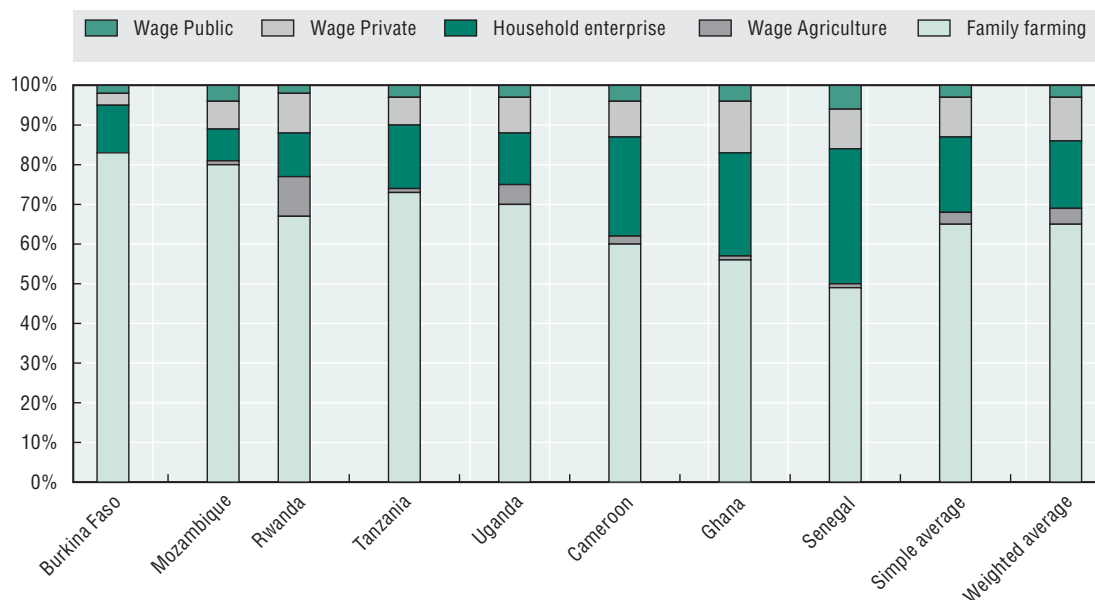


Source: Authors' calculations based on national household surveys.

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In the same way, the rural sector has potential as an engine of inclusive growth and youth employment. Although rural youth face tougher conditions than urban youth and have higher rates of vulnerable employment and working poverty, in several countries rural economies are showing strong potential for economic growth and poverty reduction. For many households farming is an important part of their livelihood, involving many young workers. More and more households in rural areas are branching out into other sectors, initially complementing farming and later supplementing it with economic activities that yield higher returns.

Figure 6.20. Distribution of primary employment by type



Source: World Bank, Africa's Pulse, 4, 2011; data are from the following years: Burkina Faso 2003, Mozambique 2008/09, Tanzania 2005/06, Uganda 2005/06, Rwanda 2005/06, Ghana 2005, Cameroon 2001, and Senegal 2005.

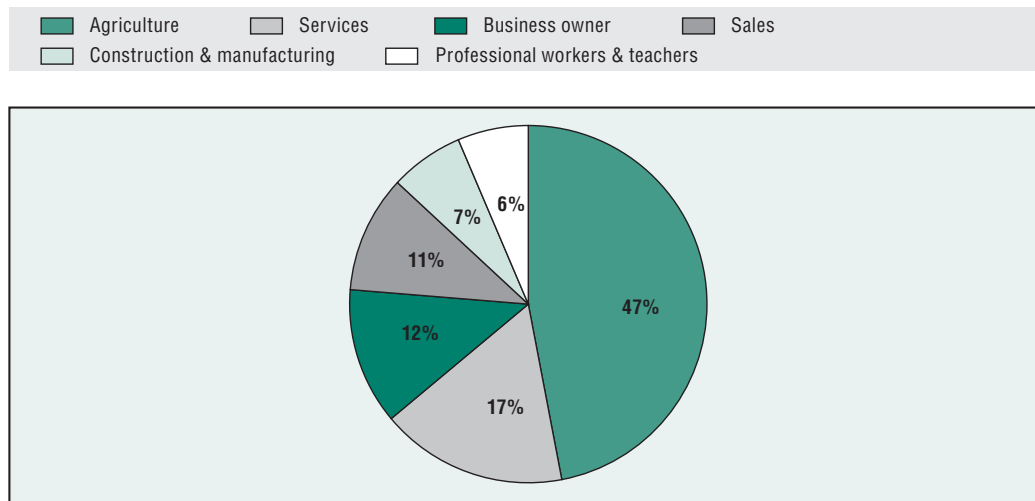
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Fox and Pimhidzai (2011) show that in Uganda “the phenomenal growth of farm household enterprises in the informal sector drove household livelihood transformation; ownership of a non-farm enterprise is a significant predictor of welfare”. In sub-Saharan countries, higher country income levels are associated with a growing number of household enterprises and less subsistence farming, rather than a significant increase in wage jobs (Figure 6.20.) tells a similar story for countries of all income levels: MICs have fewer young people engaged in farming and more business owners, who are largely micro-entrepreneurs. In upper middle-income countries this trend is even stronger. Yet the proportion of young people who are professional workers, which is the core category of wage employees, is only marginally larger in MICs than in LICs.

Already today more than half of young workers in rural areas pursue activities other than farming. With 47% of all working youth in rural areas primarily engaged in agriculture, that is the largest sector, but more than half of the rural young pursue non-farming activities for their livelihoods (Figure 6.21.): 17% provide services, including public services, installations and repairs, transport and clerical work; 11% are in sales; 7% work in manufacturing and construction; 7% are white collar professionals, government officials or teachers; 12% run their own businesses. In spite of low earnings, young people in the rural non-farm sector are on average much better off than their counterparts in farming and are closer to their urban contemporaries in their employment and poverty profiles (Figure 6.22.). Of youth in rural areas who work in non-farm activities 34% are wage employed, compared to only 10% of rural youth working in farming. Among the young in rural non-farm work 5% are unpaid and 37% part-time employed (voluntary and involuntary), compared to 18% unpaid (family) workers and 50% in less than full-time employment. With 22% and 24%, the rates of self-employment are similar for rural youth on and off-farm.

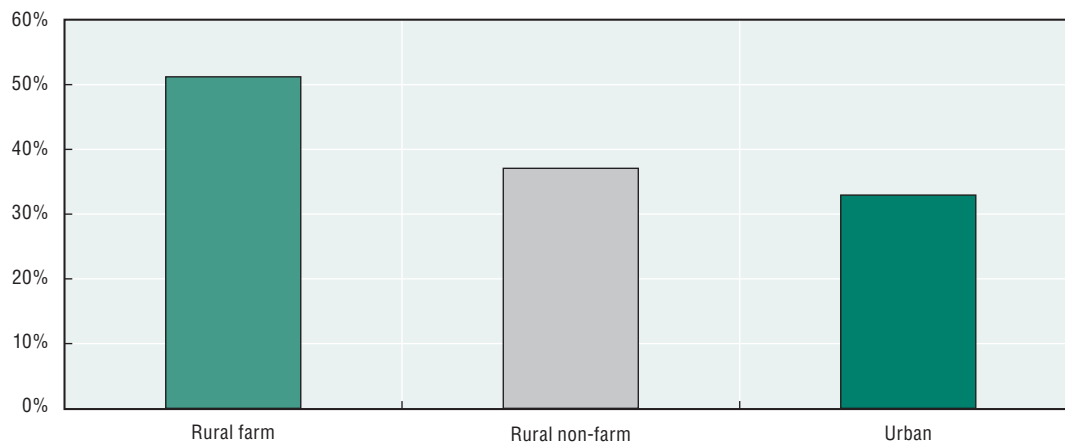
Figure 6.21. Occupations of rural youth: more than half work outside agriculture



Source: Gallup World Poll (2010), authors' calculations.
StatLink <http://dx.doi.org/10.1787/888932600659>



Figure 6.22. Food insecurity amongst working youth: farm, non-farm, urban



Source: Authors' calculations based on Gallup World Poll (2008-10).

StatLink  <http://dx.doi.org/10.1787/888932600678>

Young people in the countryside are the most enthusiastic about creating their own businesses. Across the Gallup World Poll sample, 23% of the rural young have plans to start a business, compared to 19% of urban youth. Similarly, it is the least educated youth who have plans for a business: 28% of youth with primary education or less have business plans, compared to 22% of youth with secondary or tertiary education.

The rural farm and non-farm economies are closely linked. Higher agricultural productivity leads to more non-farm activities and non-farm income increases demand for agricultural goods. As agricultural productivity increases, savings and labour become available for households to diversify and invest in small-scale activities outside agriculture, such as simple services (repairs, hair dressing), manufacturing (handicrafts, sewing and textiles, etc.) and sales. At the same time an increase in rural incomes also translates into an increased demand for non-food products, creating an opportunity for the provision of such goods to become viable and profitable. Haggblade *et al.* (2009) estimate that an increase of agricultural value added of one US dollar translates into an additional 30 to 50 cents value added in the rural non-farm economy. “Ensuring that most households are able to diversify their livelihoods into the non-farm sector through productive informality not only increases growth, but it allows the majority of the population to share in the growth process” (Fox and Pimhidzai, 2011). See Box 6.1. for a discussion of the link between rural and urban employment creation.

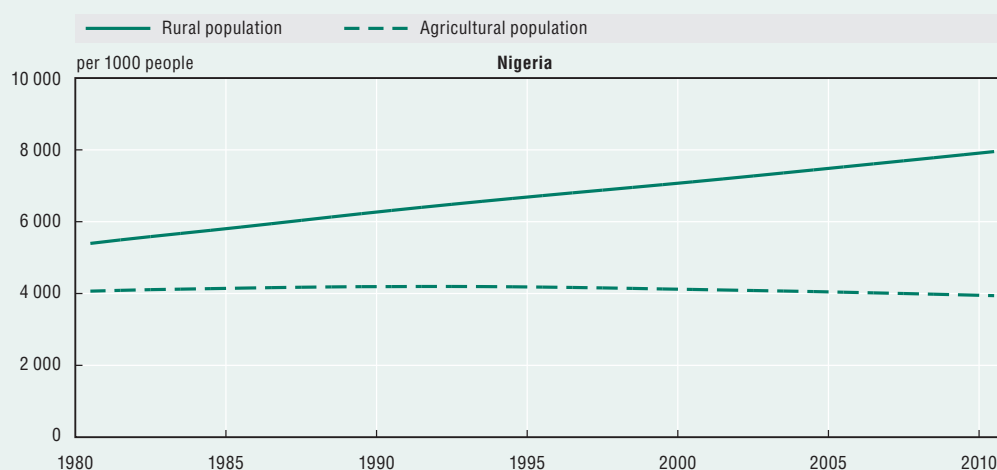
To develop their full potential the young in informal work in urban and rural areas need specific support and an environment that allows them to develop professionally. Young people struggling with their own businesses, but showing potential in the form of managerial skills, can benefit greatly from targeted support. Capital market constraints and risk stand out as important barriers (Grimm *et al.*, 2011b). Rural youth often face similar problems. In addition, they are put at a special disadvantage by government programmes that target only urban youth and jobs. Adapting schooling and skills trainings in rural areas to rural needs would be an important step in supporting rural youth.



Box 6.6. Settlement dynamics and rural employment creation in West Africa

In 1950 West Africa was a sparsely populated, predominantly rural area with six urban centres of more than 100 000 inhabitants and a level of urbanisation of 7.5%. Today the region counts almost 300 million people, 122 cities exceeding 100 000 inhabitants and an urbanisation rate of 40%. These fast evolutions have profoundly transformed the region's economy. It went from one in which agricultural activities dominated the lives of local people, living mostly in semi-autarchy, to one that saw the emergence and concentration of a non-agricultural economy in both urban and rural areas. Urbanisation, and with it the increasing division of labour, is the underlying process in this complex rural-urban transformation. This transformation also greatly alters the rural economy. Today, densely populated and well-connected rural areas are far more diversified local economies than a simple rural-urban distinction captures. Studies show that in certain rural areas only 50% of the population are involved in agricultural production, with others mainly employed in upstream and downstream activities such as extension services, marketing, banking and other basic services such as health and education. This diversification reflects an increasing integration of agriculture into the market economy: a process that started with the rapid development of export crops and later accelerated with the demand originating in a rapidly growing urban food market.

Settlement dynamics and rural employment creation in West Africa



Source: FAO Stat.

StatLink <http://dx.doi.org/10.1787/888932605865>

One way of capturing the diversification of the rural economy and the structural transformation of agriculture is to look at the changes in the ratio of non-agricultural producers to agricultural producers (NAP/AP). This relationship expresses a division of labour between agricultural producers and consumers and an estimate of the market size for agricultural food production. Only when a critical size is reached will farming techniques evolve through investments in labour and capital. The NAP/AP ratio is strongly correlated to the ratio of urban to rural population (U/R), with increases in the level of urbanisation having an accelerating effect on agricultural transformation. For instance, in Nigeria between 1960 and 2000 the NAP/AP ratio increased twice as fast as the level of urbanisation.

This rural transformation is not a geographically blind process. Rural areas close and well connected to large urban markets have higher productivity and greater product diversification and division of labour. Today many farms in Nigeria, Ghana and Côte d'Ivoire operate as businesses and create demand for a variety of non-farm products and services. By contrast, farming techniques and livelihoods in rural communities distant from commercial opportunities have barely changed. Settlement dynamics will continue to influence the economic geography of West Africa. Urbanisation and increasing food demand will create opportunities for rural farm and non-farm employment. The success and speed of this transformation will depend on the adoption of more intensive practices in labour, capital and services. However, not all areas will have the same opportunities in terms of resource endowments and market development. Policies need to integrate the economic interactions between urban and rural spaces and its geographic disparities.

Source: Sahel and West Africa Club Secretariat; www.oecd.org/swac/waf.



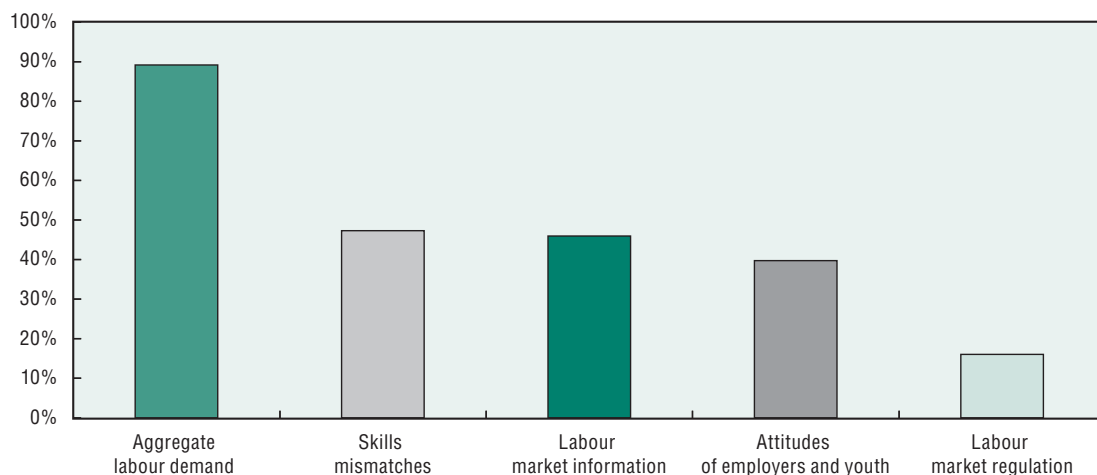
Obstacles and needs of young people in African labour markets

This section describes the obstacles young Africans face in labour markets and what they need to overcome them. The underlying analysis is based on a simple framework of labour demand, labour supply and labour market institutions. Based on this framework, a survey undertaken among 37 country experts for this report asked them to identify the biggest obstacles youth face in labour markets. In addition, the Gallup World Poll includes questions about the obstacles that youth face in finding a job, as well as about their attitudes and aspirations with regard to employment and becoming entrepreneurs. Figure 6.24. presents the results from the survey. After comparing the experts' view to the responses of young people, this section will follow the ranking of obstacles by experts and analyse each one.


Youth face specific entry barriers but the biggest obstacle is insufficient demand for their labour. Those barriers include discrimination against those seeking their first job, a strong preference for work experience on the part of employers, the need for professional networks to obtain a job, and labour regulations that lead to segmented labour markets where job-holders (adults) are protected and job-seekers (youth) face strong reluctance on the part of employers who fear the high costs and commitments involved in hiring. However, the biggest problem the young face is lack of demand for their labour. As expected, given the overall employment outlook for young people in Africa, country experts identified “aggregate labour demand” as a major obstacle to youth in the labour market in 89% of countries. The working poor thus remain in work that yields little output and pays little income because there is no demand for the type of labour they offer (usually at a low skill level) in sectors that pay better wages. Similarly the unemployed and discouraged face a lack of demand for their labour and remain in inactivity. The fact that inactivity rates are high at all levels of education underlines the importance of a general lack of jobs as the most pressing problem for the young in African labour markets. Interventions that focus on labour supply instead of demand will thus leave limited impact only.

Lack of skills and of knowledge about where to find jobs, attitudes by employers and labour regulations are hurdles too, but much less substantial ones. Skills mismatches, labour market information and attitudes by employers were identified as major obstacles in fewer than half the countries in the survey (Figure 6.23.). Labour market regulation is a major obstacle in only 16% of countries. As will be seen in the following section, this tallies with the perceptions of African firms, for whom labour regulation and a deficient education of the workforce come at the end of a long list of obstacles that are much more important to their

Figure 6.23. Labour market challenges faced by youth



Source: AEO Country Experts Survey 2012; 37 countries.

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business development and hence their ability to create jobs (Figure 6.24.). Interventions that focus on labour supply instead of demand will thus have limited impact only. As will be seen most governments turn to initiatives targeting skills to address youth employment.

Young people agree that a lack of jobs is the most pressing issue, but they are also disillusioned in respect of the need for “connections”. Figure 6.24. shows how young people in 10 North African countries answer the question: “what is the main obstacle to finding a job for young people?” The largest proportion of respondents (28%) points to a lack of good jobs available as the main obstacle. The second largest group, however, believes that “jobs are only given to people who have connections”, reflecting frustration with a system that is perceived as unfair, because connections depend largely on personal background and access to privileged circles that most youth do not have and cannot obtain. At the same time, the practice of distributing jobs on the basis of connections is a clear indication of the scarcity of good jobs. In a robust labour market, employers compete for workers and have to cast a wide and open net to attract the workforce they need. It is only under conditions of an oversupply of young labour market entrants that employers can rely on connections to fill their positions. Information about where to find jobs is seen as a much smaller problem by the young.

Figure 6.24. Youth perceptions of main obstacles to finding a job



Source: Gallup, authors' calculations.

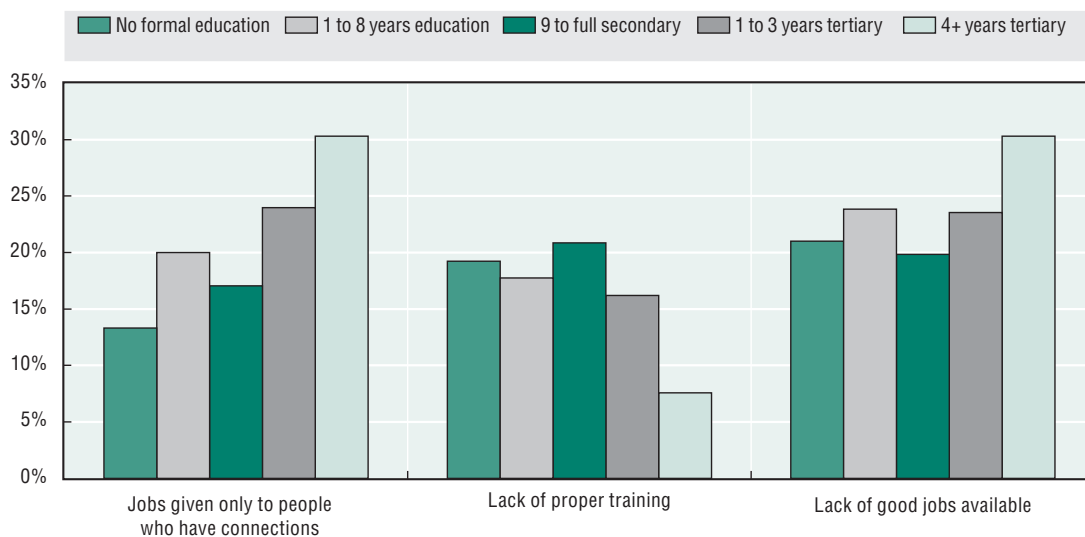
StatLink <http://dx.doi.org/10.1787/888932600716>

Discouragement about the job market is much higher among highly educated youth. Young people with less education see their lack of skills as a bigger problem (Figure 6.25.). Among university graduates 30% consider that connections are paramount, compared to 13% among young people without education. The young with less education see instead “lack of proper training” as the main obstacle to finding a job. All young people without a university education consider their lack of training an important obstacle. The difference between those without education, with primary education and with secondary education is very small (19% for no education versus 21% for secondary education). These results underline that youth of all educational backgrounds face a shortage of jobs. Young people with less education assume that their lack of education is to blame. Interestingly, the young with secondary education



are the most likely to perceive their inadequate education to be the main obstacle to finding a job, more so than their contemporaries without any education. Young people with university education face a lack of jobs similar to that of the other groups. However, as they have gone through all the available educational channels, they see not their lack of training but a job market that is unfair (because of the need for connections) and ineffective (because of a lack of good jobs available) as the main obstacle. This dynamic could partly explain the link between the high unemployment rates among university educated youth observed in many North African countries and the youth uprisings in Egypt and Tunisia in early 2011.

Figure 6.25. Disillusion about a fair job market increases with education



Note: Only the top 3 answers are shown, see the preceding figure for the remaining answer options.

Source: Authors' calculations based on Gallup World Poll (2010).

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The following sections will describe in more detail each of the barriers faced by young people in African labour markets and the resulting needs for support.

Lack of Jobs – Youth need enterprises to grow and provide jobs

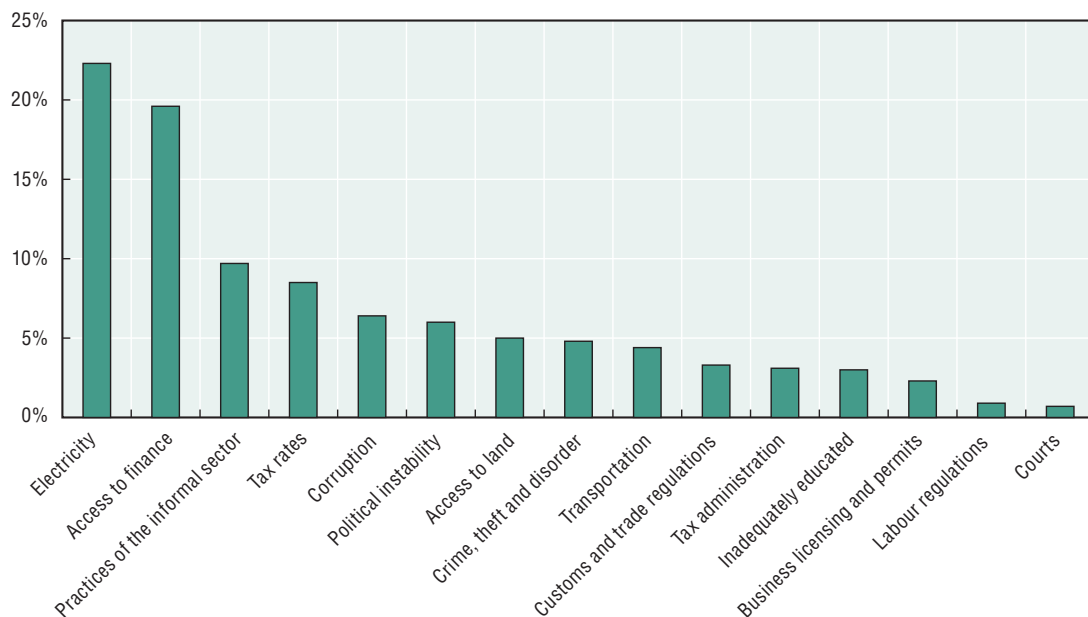
A vigorous private sector is the most important vehicle for creating jobs for young people in Africa. Governments must make it a priority to address the obstacles that enterprises face. The poor employment outlook, the experts' assessment and the perceptions of young North Africans all converge on insufficient demand for young people's labour as being the most important bottleneck to youth employment. The preceding employment outlook section showed that the role of the public sector is shrinking and that enabling job creation in the private sector (in both small and large firms) is the only viable option for large-scale job creation in Africa. That section also showed that private sector employment is dominated by small and micro-enterprises, whereas productivity is mainly found in large firms. Both segments need support to grow and create jobs.

In sub-Saharan Africa, electricity and finance, not regulation or education, are the biggest obstacles. Although the relatively low level of education of Africa's workforce and



overly rigid labour regulations are often presented as some of the major obstacles to business development, African firms themselves do not see things that way. The World Bank's Enterprise Surveys show that only 0.9% of firms in sub-Saharan Africa consider labour regulations, and only 3% an inadequately educated workforce, as the biggest obstacles to business. Instead, access to electricity (22% of firms) and finance (20%) are by far the greatest hindrances (Figure 6.26.). Getting an electricity connection costs more on average in sub-Saharan Africa than anywhere else in the world: 5 429% of income per capita, whereas the average in OECD high-income economies is 93% of income per capita. Firms need 137 days to get access to electricity in sub-Saharan Africa; about double (65 days) the time that is needed in Latin America and the Caribbean, although that is less than in Eastern Europe and Central and South Asia.

Figure 6.26. Biggest obstacles to firms in Sub-saharan Africa



Note: Percentage indicates what firms identify as most important obstacle

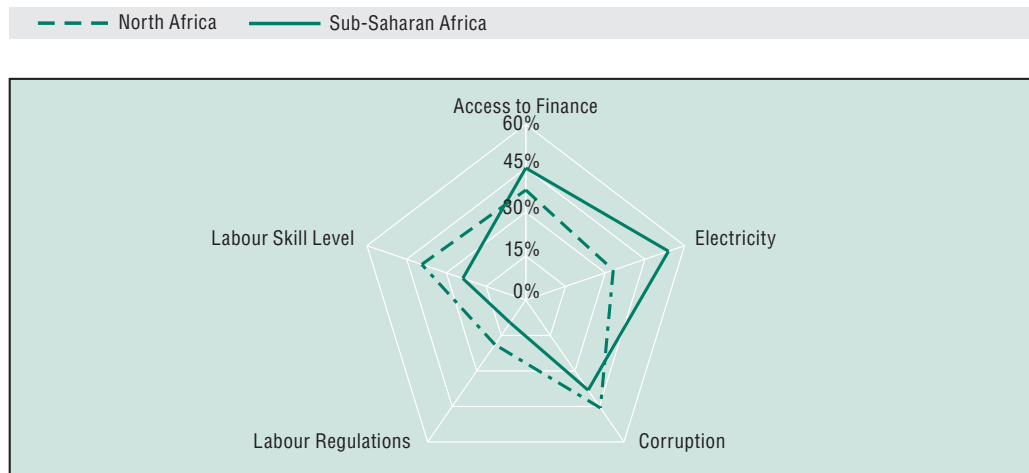
Source: World Bank (2006-2011).

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The complexity of obstacles increases with a country's income level. Gelb *et al.* (2007a) found that the most fundamental constraints (such as macroeconomic stability, electricity, access to finance) appear to be most binding at low levels of income. Then, as a country develops, firms must confront a number of problems caused by weak governance and low administrative and bureaucratic capacity (corruption, level of taxation, quality of administration). Finally, as a country moves up to a higher-income status, labour regulation becomes a more serious determinant of the business climate, largely because the state has a stronger capacity to implement it. A later section takes a closer look at the role of labour regulations in youth employment. Figure 6.27. compares the responses of sub-Saharan African and North African firms as to which major obstacles they are facing. In North Africa corruption is the biggest obstacle. The skill level of the labour force is a much more important obstacle than in sub-Saharan Africa, indicating a more skill-intensive economic structure and the presence of major skills mismatches.



Figure 6.27. Obstacles to enterprises in North Africa and Sub-Saharan Africa



Source: World Bank (2006-2011).

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The employment outlook section showed that private sector employment is dominated by small and micro-enterprises, whereas productivity is mainly found in large firms. Both segments need support to grow and create jobs, but have different needs.

For large firms increased participation in international markets is important for long-term job growth. Reviewing the African manufacturing sector, Bigsten and Söderbom (2005) find few prospects for an expansion of jobs in the sector in countries where most manufacturing enterprises focus on supplying the domestic market only. Instead potential is found in firms that compete internationally through the adoption of modern technology and orientation towards new markets. However, the conditions for competing internationally are difficult in most African countries. Gelb et al. (2007b) show that “indirect costs (electricity, transport, communications, security, rent, business services, bribes) form a larger share of the costs of firms in African countries than elsewhere”. In Kenya, for example, the average gross (at factory level) total factor productivity (TFP) is about 70% that of China. Kenya’s net (in the international market) TFP, however, is only about 40% that of China (Eifert et al., 2005). Transport costs remain a particularly severe bottleneck for firms that want to expand beyond local markets and go far beyond infrastructure bottlenecks alone. Corruption plays an important role as well. According to a recent study by the Rwandan government, for example, to get from the port of Mombasa to Kigali via Kampala, a lorry has to pay USD 864 in bribes and stop at 36 roadblocks (The Economist, 2012b).

Job creation in small firms needs a two-pronged strategy: 1) removing barriers to small and microenterprises, enabling them to grow and fill the missing middle, and 2) supporting young people to be entrepreneurs and create their own jobs. Very few small and microenterprises manage to grow into large firms. A dynamic of high job creation at the point of market entry of new micro-enterprises can be observed, but also a high level of job destruction by failing enterprises. There is very little contribution to employment through post-entry expansion (Shiferaw and Bedi, 2009, for example, show this using data from Ethiopian manufacturing enterprises). Instead a segmented market can be seen, of already existing large firms and many struggling small enterprises that remain small. Elhiraika and Nkurunziza (2007) find that no country in their analysis has a long-term concentration of



firms in the medium-size group. To foster job creation governments must focus on removing the barriers that are specific to small and micro-enterprises and support their growth into productive firms. At the same time for many young people entering self-employment is the only viable alternative given a lack of opportunities for wage employment. These young people face specific challenges and need special support to develop their businesses.

Small firms and micro-entrepreneurs, who are largely informal, are most constrained by access to finance and land, as well as by high levels of risk. Figure 6.28. shows the obstacles faced by informal firms in a small sample of low and middle-income countries. As a consequence of their informality, small and micro-businesses are constrained in their ability to obtain the necessary financing from banks. These businesses often lack basic accounting and have no collateral, since property rights, especially for land, are tenuous at best. In addition, in most countries the number of banks is small. Those that are in the market enjoy high profits from working with the existing large firms. There is little incentive to provide credit to small and medium-sized enterprises (SMEs). Bigsten *et al.* (2003) show that the likelihood of getting a loan request approved is much higher for large firms than for small firms. Microcredit institutions have sprung up in many countries, catering to micro-entrepreneurs. However, SMEs that have grown beyond the threshold of microfinance face a dearth of credit providers and a financial system that is often entirely focused on large firms.¹⁴ Risk also plays an important role for capital accumulation: even in the capital scarce West African economies, SMEs in risky activities seem to overinvest when they start their businesses and adjust capital stocks downwards subsequently (Grimm *et al.*, 2011a). Savings and insurance devices could be important tools for enabling small entrepreneurs to take risks and invest in the growth of their business.

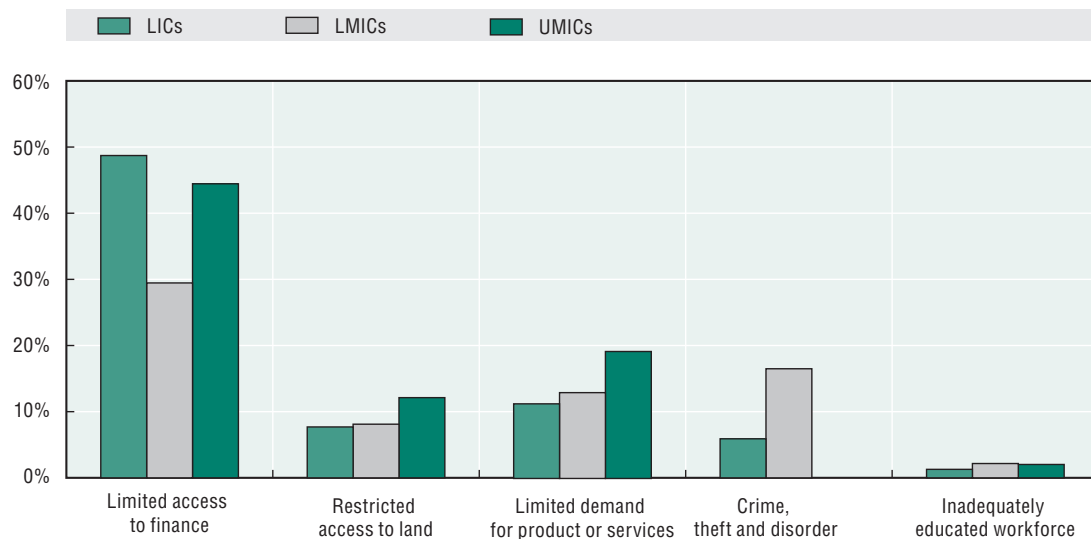
Corruption and regulation are not among the top concerns for small and micro-enterprises, but are a disincentive to grow bigger. Harassment is a problem. Research in West African capital cities shows that, contrary to common belief, informal production units are not massively victims of corruption by public officials (Lavallée and Roubaud, 2011). Enterprise surveys of formal and informal firms show that exposure to regulatory predation increases with size and visibility (Gelb *et al.*, 2007a). Governance is of more concern to larger firms, perhaps because of their visibility and need to make informal payments to ease the burden of regulation. Aterido and Hallward-Driemeier (2010) also found that larger enterprises spend significantly more time dealing with officials and bureaucracy. Although not a primary target of corrupt officials demanding kickbacks and special fees to smooth administrative processes, informal microenterprises are often the target of harassment by officials. The most famous case is certainly that of Mohamed Bouazizi who set himself on fire to protest against the confiscation of his wares and the harassment and humiliation that he reported was inflicted on him by a municipal official and her aides. His self-immolation subsequently led to the Tunisian revolution.

Figure 6.28. shows that demand constraints are greater for informal firms in LMICs and UMICs. As income levels rise and the middle class expands, demand for higher quality products increases, while demand for products from the informal sector, which are usually of lower quality and have a lower prestige, decreases. This effect could partly explain the relatively small informal sector share in some MICs.

Although the informal sector is important for job creation and growth, governments should undertake efforts to increase formalisation. They must recognise the important role the informal sector plays in job creation and create an environment that supports the growth of these firms. However, the informal sector also represents lost potential for tax income and is by definition irresponsive to government regulation, even when it is benign. Governments thus have an interest in formalisation. So do many informal firms: 57% of



Figure 6.28. The chief obstacles faced by informal firms



Source: World Bank (2008-10), authors' calculations.

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them see formalisation as way to obtain better access to financing (Enterprise Surveys). Nevertheless there are many good reasons for firms to stay informal(see Box 6.7.). Policies to increase formalisation must therefore aim at providing incentives and information, not penalisation of informality. Jütting and de Laiglesia (2009) propose a strategy that combines providing incentives for formalisation to those in the upper tier of informality with giving those excluded from the formal labour market the necessary means to become more productive and improve their risk management.

Box 6.7. Why are most of Africa's firms informal?

Contrary to common assumption, the primary reason why so many firms are informal is a lack of information about what is required to register (33% of firms chose this response; Enterprise surveys). Other reasons are the taxes that formal businesses have to pay (24%) and the high costs of registration (20%).

When there are fluctuations in demand, an informal firm finds it easier to adjust because of its simple and flexible technology, and hence it can avoid some of the costs associated with idle capacity. The ease with which an informal firm can vary its employment level can save on wage costs. (Bigsten and Söderbom 2005)

Skills required for business activities are usually gained outside formal education, therefore training opportunities and access to informal networks are another advantage: working in the informal sector may be the only chance of accumulating experience or even of training and apprenticeship for low-skilled young workers. Moreover, talented workers may have better prospects for upward mobility in the informal sector (Jütting et al., 2008). Although wages are generally lower in the informal sector, individuals with specific characteristics may have a comparative advantage in informal employment that can be translated into higher earnings compared to potential pay in the formal sector (Jütting et al., 2008).



Young people can benefit from specific programmes that support their entrepreneurial activities, but these must be well targeted. Support for young entrepreneurs ranges from measures that provide jobseekers with financial and technical assistance to create their own businesses, including microcredit and entrepreneurship training and mentoring, to measures that improve their chances to expand. Self-employment programmes are relatively cheap and can create permanent and value-added jobs, as long as projects are carefully selected and supported, and entrepreneurs have access to credit and markets (Puerto, 2007). Based on personal characteristics such as education and managerial ability, Grimm et al. (2011c) identify a large group of ‘constrained gazelles’. These are micro-entrepreneurs who exhibit similar characteristics to successful entrepreneurs but operate at very low levels of capital, held back by the many constraints listed above. Based on data from urban informal entrepreneurs in West Africa in the early 2000s, they estimate the share of constrained gazelles among young people to be 27% compared to 49% among adults. Assuming similar distributions elsewhere, support programmes must strive to identify these 27% of young entrepreneurs with potential and help them overcome the many barriers they face in terms of access to finance, risks and skills.

Without appropriate targeting, support programmes are likely to fail and even do harm, especially when providing finance. Where firms and young entrepreneurs are not chosen carefully, based on their skill, drive and business plans, providing credit can be wasteful and harmful. Many small firms collapse as a result of using credit (Nkurunziza, 2008) or simply do not pay the money back. In Tunisia, for example only around 50% of young entrepreneurs have repaid their loans, mainly because of the lack of clients (MDGF, 2009). In Benin, the Fonds National de Promotion de l’Entreprise et de l’Emploi des Jeunes (FNPEEJ), created in 2007, encourages the entrepreneurial spirit of young people by financing business creation, but because of the non-repayment by a large number of beneficiaries (up to 81%), in September 2011, the deficit reached more than 1.6 billion CFA francs. In the long run such high rates of non-repayment can create the impression that funding provided for young entrepreneurs is free and not a credit.

Programmes to support youth must be comprehensive. To start a business, young people do not only need capital: knowledge on how to run a company is also required. Entrepreneurship training provides young people with the skills they need to create and manage a sustainable business likely to generate jobs. Mentoring and business incubators can be valuable tools to convey these skills. To be efficient, training has to mix (Henry et al., 2005) technical skills, such as written and oral communication; technical management and organising skills; business management skills, such as planning, decision making, marketing and accounting; and personal entrepreneurial skills such as self-discipline, risk taking and innovation. The following section discusses the educational and training needs of youth in more detail.

To better understand how to support young entrepreneurs, more rigorous evaluation is necessary. In spite of some positive examples of well-functioning programmes that offer comprehensive support to young entrepreneurs (see Box 6.8.), far too little is known about how to support young entrepreneurs in Africa. In many cases training activities, and especially financing mechanisms, fail to create lasting jobs. Particularly where financing is provided directly through government services the failure rate is high (CGAP, 2004). Rigorous evaluations are necessary to identify what works and what does not work and develop evidence based programmes.



Box 6.8. Senegal's Synapse Centre – an example of a comprehensive training and financing approach for young entrepreneurs

A good example of a comprehensive programme for young entrepreneurs can be found in Senegal, where the minimum cost of setting up a formalised business is 255% of annual average per capita income. To overcome this barrier, the Synapse Centre was created in 2003. It provides potential young entrepreneurs with the experience, support and advice they need to establish and run successful businesses and contribute to overall economic growth and job creation. Its initiative, Promise Programme, is a highly intensive youth entrepreneurship training programme of 14 months that combines traditional entrepreneurship theory with interactive case-based studies, practical experience, personal development retreats, and professional business consulting and mentoring. This support has included the provision of incubator facilities including office space, monthly training workshops, group learning, mentoring, and counselling (provided by some of the best-known companies in Senegal). The centre also serves to link young entrepreneurs to the government's National Fund for Youth Employment (FNEJ) giving them access to low-interest loans for their businesses. Its objective is to ensure that each participant establishes a successful business which in turn gives something back to society. By 2008 17 promising entrepreneurs had graduated from the first class; nine young participants had become entrepreneurs as founders of new companies; and 35 business leaders had been recruited to mentor young entrepreneurs. The nine successful entrepreneurs have created 137 jobs within their businesses. Synapse's annual budget of USD 80 000 equates to one job created for every USD 584 spent. The experience of Synapse has shown that the increased self-confidence resulting from the mentoring initiative enables entrepreneurs to expand their personal vision through a leadership experience that they otherwise might not have had.

Education and skills mismatches – Young people need more comprehensive education that responds to labour market needs

Education is not the biggest bottleneck to youth employment but it is a major one. Figure 6.29. showed that AEO country experts consider lack of education and skills mismatches to be major obstacles for young people in labour markets in about half the countries in the survey. Figure 6.30. showed that a lack of proper training is the third most cited reason by young people from North Africa why they do not find jobs.

The preceding analysis has established a number of facts about youth employment and education:

- The chances of being wage employed rather than in vulnerable employment are significantly higher for young people with more education. For those in employment wages are higher.
- Higher education is linked to higher unemployment among young people but lower unemployment among adults.
- Among those with higher education the unemployment rate varies by type of educational degree.
- Young people with education face a higher likelihood of unemployment and discouragement in MICs than in LICs
- Discouragement and being out of the labour force are higher among young people with no, or only a little, education. Overall, NEET rates are lowest among young people with tertiary education.

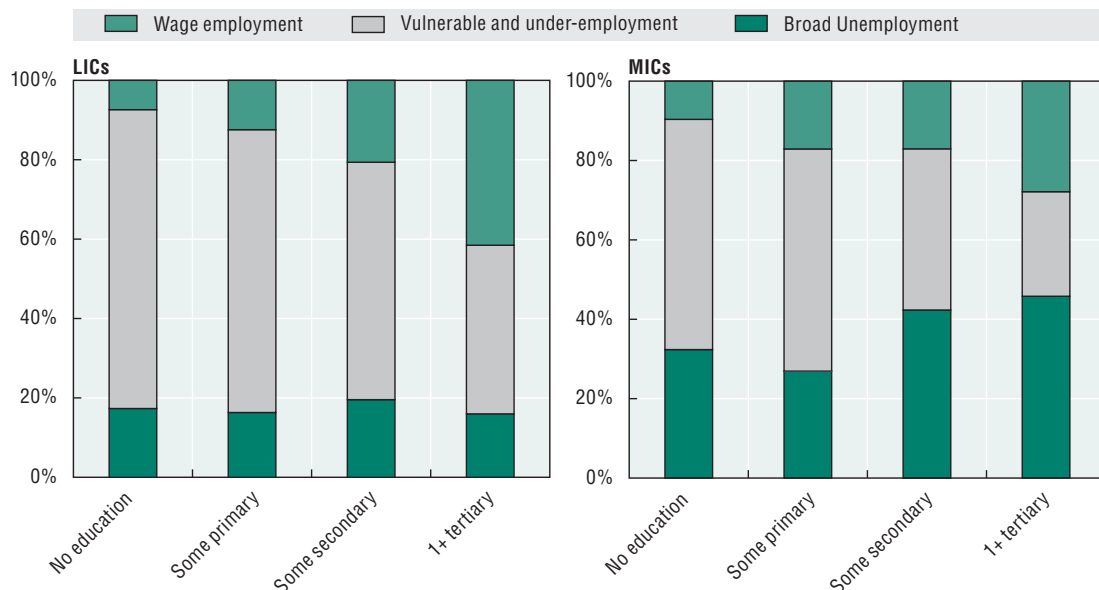


The analysis suggests that much unemployment, and even discouragement, observed among educated young people are largely transitory phenomena and the result of queuing for good jobs by the better off. However, the length of this transition, which can often take many years, and the strong link between field of study and unemployment rate, suggest a serious mismatch between the skills young people bring with them when they leave the education system and those that are sought after in labour markets.

High vacancy rates in the presence of large scale unemployment confirm the existence of skills mismatches and are especially substantial in MICs. Although there are large numbers of unemployed young people and a constantly growing labour supply, many enterprises in Africa struggle to fill open positions. In Egypt, for example, about 1.5 million young people are unemployed (ILO 2011b), while at the same time private sector firms cannot fill 600 000 vacancies. In South Africa the situation is even more extreme, with 3 million young people in NEET and 600 000 unemployed university graduates versus 800 000 vacancies (The Economist, 2012a). Figure 6.29. shows that unemployment among those with higher education is much higher among youth in MICs than in LICs, suggesting that mismatches between the skills young people have and what the education system offers are greater as countries grow wealthier. A survey among recruitment and temporary work agencies conducted for this report in nine African countries shows that such agencies have a greater struggle to find suitable candidates with tertiary education in South Africa and Tunisia than in countries with much lower incomes such as Kenya, Ghana and even Niger.

Mismatches are not confined to university graduates but also strongly affect young people with secondary education. Figure 6.29. shows that broad unemployment is higher among the young with secondary education than those with tertiary education in LICs and just slightly lower in MICs. Taking into consideration NEET youth, Figure 6.11. showed that NEET rates are highest for youth with secondary education. Given that broad unemployment is much lower among adults with secondary education than among those with primary education or less, mismatches seem to be a serious problem for young people with secondary education. Figure 6.34., which will be presented in the next section, shows that among youth not in employment, those with secondary education have the highest proportion of respondents who provide “lacking employers’ requirements” as the reason for not being in work.

Figure 6.29. Youth employment and unemployment by education and country income groups

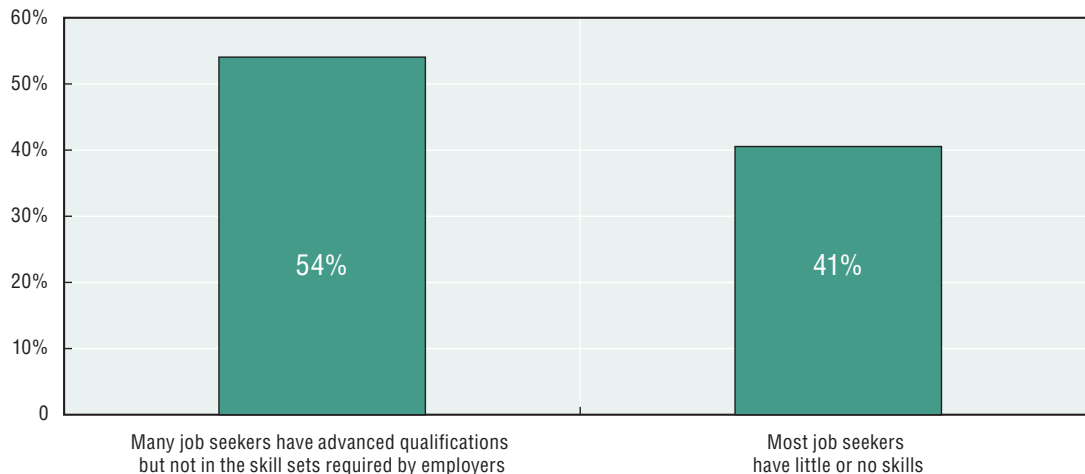


Source: Gallup World Poll (2010), authors' calculations.
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A complete absence of skills is a problem too, but skills mismatches seem more relevant. In a survey among experts on 36 African countries about the major challenges youth face in labour markets, 54% found a mismatch of skills between what job seekers have to offer and what employers require to be a major obstacle. They were 41% to identify a general lack of skills among job seekers as a major obstacle (Figure 6.30.). See also Box 6.4. on the improving levels of education in Africa.

Figure 6.30. Lack of skills versus skills mismatching, in percentage of countries that consider either as the biggest obstacle



Source: AEO country experts survey.

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Skills mismatches point to a poor quality of education and the absence of linkages between education systems and employers as underlying problems. The recruitment and temporary work agencies surveyed reported a general lack of targeted education and frequent major discrepancies between candidates' profiles and the skills required for a job. A shortage of technical and mechanical employees or electricians coexists with a surplus of workers in audits, sales and communication. In manufacturing in particular many of the positions that go unfilled are at a level that does not require tertiary education and does not pay the salaries that university graduates expect. What are required, rather, are the technical skills necessary to maintain equipment and supervise unskilled workers. Higher education systems in Africa need to become more diversified to meet the need for a variety of levels of skills and education. The rest of this section will analyse mismatches at each educational level in descending order.

At the tertiary level, young Africans are confronted with a university system which has traditionally been focused on educating for public sector employment, with little regard for the needs of the private sector. Often a degree from a tertiary institution is an entry requirement for government employment, with little attention paid to a specific skill set. At the same time tertiary education in technical fields tends to be significantly more expensive than in the social sciences, which makes expansion of such faculties more challenging for public education institutions. Private providers of education could fill this void, leaving the government with duties of quality control and oversight.

As a result African universities do not educate for African needs. As is shown in the preceding discussion of youth in NEET, unemployment rates vary by field of study. Graduates



in technical fields such as engineering and information technology (IT) have less problems finding employment than those from the social sciences or humanities. At the same time these latter fields have much higher enrolment and graduation numbers (Table 6.1.) and consequently much higher unemployment numbers. According to African recruitment and temporary work agencies, the most difficult sectors in which to find candidates with tertiary education are those that need specific technical qualifications, such as the extractive industries, logistics, the chemical and pharmaceutical industries, manufacturing in general and agri-business (results from AEO survey). Given Africa's comparative advantage in agriculture and the great potential for international trade in processed agricultural products, the low number of graduates in the area of agriculture is striking. With 2% of students specialising in agriculture the discipline occupies the same rank among graduates in Africa as it does in Europe, even though agriculture contributes 13% to Africa's GDP compared to 1.4% in Europe (both for 2010, World Bank, 2011c). Agri-business is one of the few sectors for which finding high level managerial candidates is almost impossible in Africa, according to a large recruitment firm active in many African countries. Given the important role extractive industries play in many African countries, the lack of graduates available to work in the sector is similarly striking.

On a positive note, some sectors are educational success stories. The fields with the fewest problems in finding candidates are banking, education, commerce and IT and telecommunications. Banking and IT and telecommunications, in particular, are fast growing sectors, suggesting that the link between industry needs and tertiary education works well in these areas.

Table 6.3. What do students study? University graduation rates in Africa and the world (2008-2010)

	Education, humanities and arts	Social sciences, business and law	Science	Engineering, manufacturing and construction	Agriculture	Health and welfare	Services	Other
Sub-Saharan Africa	26%	44%	12% (3% ICT)	4%	2%	5%	0%	7%
North Africa	22%	51%	8% (1% ICT)	10%	1%	6%	1%	1%
Asia	23%	30%	6%	20%	4%	9%	4%	4%
Latin America	23%	38%	7%	9%	2%	13%	3%	5%
OECD	25%	37%	10% (3% ICT)	11%	2%	11%	4%	1%

Source: AEO data, UNESCO.

With the aim of narrowing the skills gap and thus adjusting supply from graduates of higher education to the current needs of the labour market, some countries have changed education curricula. In 2008, the Ethiopian government introduced a policy designed to shift the balance of subjects in all public universities away from the humanities and towards the sciences and technology, on a 70:30 basis. The strategy is based on an assessment that graduates of medicine, engineering and technology generally have better employment opportunities inside and outside the country than graduates in the social sciences and, to some extent, the natural sciences (UNECA, 2011).

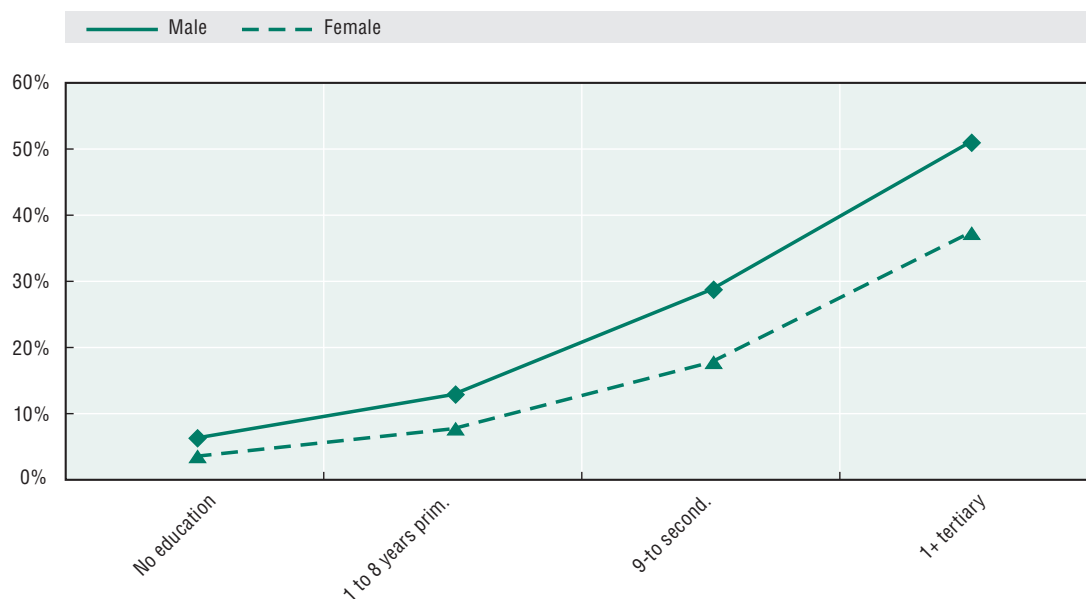
Universities must educate with an eye to African markets, improving education in technical fields and agriculture, and improving quality. This approach also includes more and better guidance to students to steer them towards employment in the private sector, away from enrolment in traditional public sector entrance subjects in the arts, humanities and social sciences.

Below tertiary level, the focus must be on expanding secondary level education. Returns to primary education are low. Academics believed for a long time that returns to education



are linear, i.e. increase continuously with every year of education obtained (see for example Psacharopoulos and Patrinos, 2002). However, more recent evidence (see Kuépié *et al.*, 2009 for results from urban West Africa, Dias and Posel, 2007 for South Africa and Teal, 2011, for a discussion of African evidence), suggests that returns are not continuous in years of education but linked to the level of education attained. Figure 6.31. shows that the likelihood of being wage employed increases strongly with a secondary school education (based on Gallup World Poll data, see also Annex 6.2.). Household surveys show the same for the likelihood of earning a higher wage (AfDB, 2012). Primary education makes a small difference, compared to no education at all, in terms of labour market opportunities. In other words, returns to education are positive and strongly convex. Teal (2011) consequently observes that: “If in fact the earnings function is convex, so that the marginal returns to education are lowest for the individuals with the least education, giving priority to investment in primary education may have little impact on incomes unless the individuals affected by the reforms proceed to higher levels of education.” The fact that so many children and young people do not proceed from primary to secondary education (see Box 6.4. on education levels in Africa) despite the strong convexity of returns to education suggests that strong barriers are in place, such as high costs and poor quality of primary schools that do not prepare adequately for secondary school.

Figure 6.31. Probability* of being wage employed by educational level (multivariate analysis)



Source: Authors' calculations based on Gallup World Poll (2010).

*see annex

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Especially in MICs, changing economic structures are putting mounting pressure on education systems to go beyond primary education. South Africa is a good example. In the absence of the large manufacturing or agri-processing sectors that utilise low-skilled workers in most African countries, secondary education is often the minimum requirement for entry to wage employment in the formal sector. South Africa's post-apartheid economic development was largely one of capital-intensive technological change in production

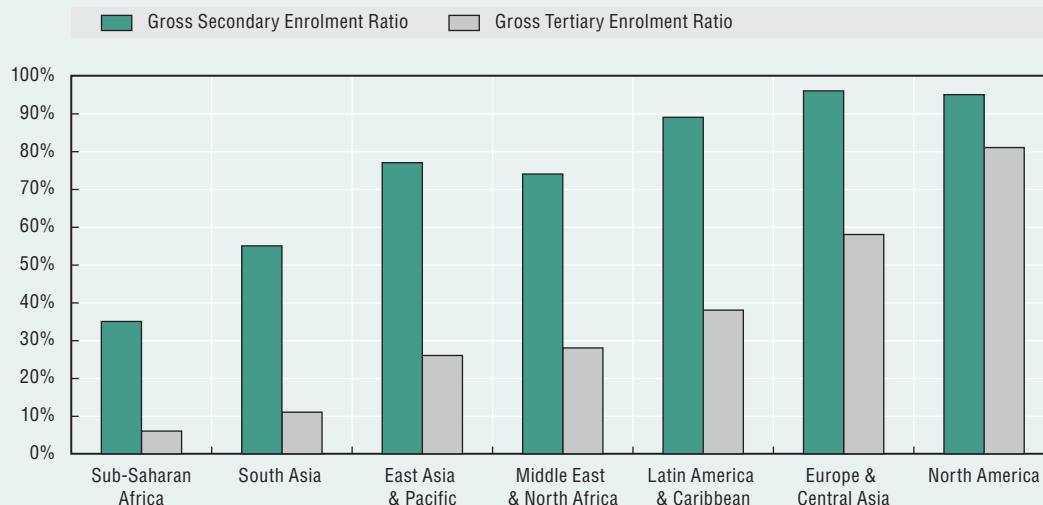


methods and a shift towards skill-intensive services (banking, telecommunications) away from the low-skilled manufacturing which had previously been the employer of large parts of the labour force. The shift has led to stronger demand for skilled labour and less demand for unskilled labour¹⁶ (Bhorat and Hodge, 1999; Dias and Posel 2007; Banerjee *et al.* (2008); Fourie, 2011; Rodrik, 2006). Rodrik observes that “this structural change away from the most low-skills intensive parts – and resultant skills supply-and demand mismatches – is key to understanding the concentration of unemployment among the young, unskilled and black population.” Given these dramatic changes and the move of the economy towards equilibrium with demand for higher skills, the only chance for South Africa’s youth is a concerted effort in investing in better education. Africa is making progress with the provision of education but serious quality gaps remain (Box 6.9.).

Box 6.9. Education levels in Africa and the world

Young people in Africa (and in sub-Saharan Africa in particular) have a very low educational profile compared to other regions in the world. In sub-Saharan Africa, the gross enrolment ratio at secondary level is 35%, and that at tertiary level just 6% (figure in this box). Although these levels are very low compared to other regions, they reflect rapid growth over the last decades. Based on current trends 59% of 20-24 year olds will have secondary education in 2030, compared to 42% today. Given Africa’s high population growth this translates into 137 million 20-24 year olds with secondary education and 12 million with tertiary education in 2030. In spite of this vigorous expansion large gaps remain in the quality of the education provided. Seventeen countries, including Mali, Niger, Ethiopia, Senegal, Côte d’Ivoire, Nigeria and Angola among others, have literacy rates of less than 75% (World Bank, 2012b). The increase in the number of higher education graduates has often been at the expense of quality, as expenditure per student has been decreasing throughout Africa. Within ten years (1999 to 2009), the number of higher education graduates in low-income sub-Saharan African countries almost tripled (from 1.6 million to 4.9 million). It is expected that this figure will reach 9.6 million in 2020.

Secondary and tertiary enrolment ratios, by world region



Source: Authors' calculations based on World Development Indicators 2011.

StatLink <http://dx.doi.org/10.1787/888932605884>



Expansion is not enough. Quality and relevance of education must be improved to reduce the skills mismatch. The previous analysis has shown that the level of broad unemployment is especially high at secondary level, suggesting serious skills mismatches. Most general secondary education in Africa has long followed the ideal of providing the prerequisites for an academic education or a white collar (office) job in the formal (and urban) sector. Yet, as earlier sections have shown, only a small minority of young people have access to either of these options. Moreover, the skill set many formal employers are looking for is a more practical and applied one than that provided in most schools, including behavioural and interpersonal skills, as well as basic familiarity with concepts relevant to business.

Technical and vocational skills development (TVSD) has the potential to provide young people with more applied skills and better chances in the labour market. Skills can be obtained either through structured and specialised institutions or through on-the-job practical experience, or both – the so-called “dual” training. In a review of training programmes in 90 countries Fares and Puerto (2009) find that programmes that combine on-the-job and in-class training provide a combination of soft skills (behavioural skills) and hard skills (technical or administrative skills) that can have a significant positive impact on employment and earnings of programme participants. Dual training, such as internships or apprenticeships, allows young people to apply the theories learnt in class in real environments, to develop professional skills, such as time management and professionalism, and to gain practical experience (Angel-Urdinola et al., 2010). Our analysis of labour force surveys and household surveys finds higher marginal returns for vocational training than general secondary education in five out of eight countries (see Annex 2). Kuépié et al. (2009) show that returns to vocational education are higher than to general secondary education in urban West Africa.

However, TVSD provided by government has suffered from neglect and irrelevance. TVSD accounts for less than 5% of training among youth in Africa (AEO, 2008). Where they exist, TVSD systems in Africa suffer from a shortage of qualified staff, obsolete equipment, ill-adapted programmes and weak links with the job market.

Instead traditional apprenticeship in the informal sector predominates. For instance, in Senegal some 400 000 young people are in apprenticeship annually, compared to some 7 000 graduates from the formal vocational training centres; and up to 80% of skill development in Ghana is through the apprentice system (AEO, 2008). In urban informal sectors in West Africa apprenticeships in small (informal) firms and on-the-job learning account for over 90% of the training of young workers (Nordman and Pasquier-Doumer, 2011). The informal sector is also an important beneficiary of skills training. Kuépié et al. (2009) show that returns to vocational training are highest in the informal sector, emphasising the importance of practical skills for this sector.

Given the importance of the informal sector, TVSD systems must adapt to its needs in terms of skills and course structure, especially in rural areas. In view of the very large informal sector in African labour markets, vocational training should emphasise the qualification of workers in this sector. But the provision of public TVSD has often been inadequate as courses are rigid, and it is biased toward white collar jobs in the urban wage sector (Adams, 2008). Unresponsive TVSD is a particular challenge in rural areas, where this form of education could have significant impact on the lives of the poor by enhancing agricultural skills and productivity. Research undertaken in Tanzania in 2011 showed that of 23 vocational training centres in rural areas directly managed and financed by the Vocational Education and Training Authority, only three were offering training connected with the agricultural sector. In most African countries the situation is even more extreme, as in Malawi, where no agricultural training is provided in vocational centres (Dalla Valle, 2012). A recent World Bank report finds similar problems in Uganda, where government-provided vocational training does



not reach young people in the rural non-farm economy because it is too focused on formal post-secondary training, offering courses of long duration, which people in informal sector enterprises cannot attend without losing their source of livelihood (Bakiene *et al.*, 2012).

Instead of excluding informal sector training, governments should address poor identification of job seekers by introducing skills certification systems that attest to competencies and thereby facilitate recognition and comparison in the labour market, reducing asymmetric information between job seekers and employers (AEO, 2008, World Bank, 2010). Certification and recognition contribute to building an employment history which will favour access to better employment opportunities in formal sector jobs. Benin, for example, created a Vocational Skill Certificate (national diploma attesting to the attainment of skilled worker level through a reformed traditional apprenticeship) and the Occupational Skill Certificate (certificate attesting to the completion of an apprenticeship) to recognise the skills acquired through informal apprenticeships. It has also put in place a consultative mechanism involving the National Federation of Craftworkers, local craft workers groups and the relevant ministry to steer the process (AEO, 2008).

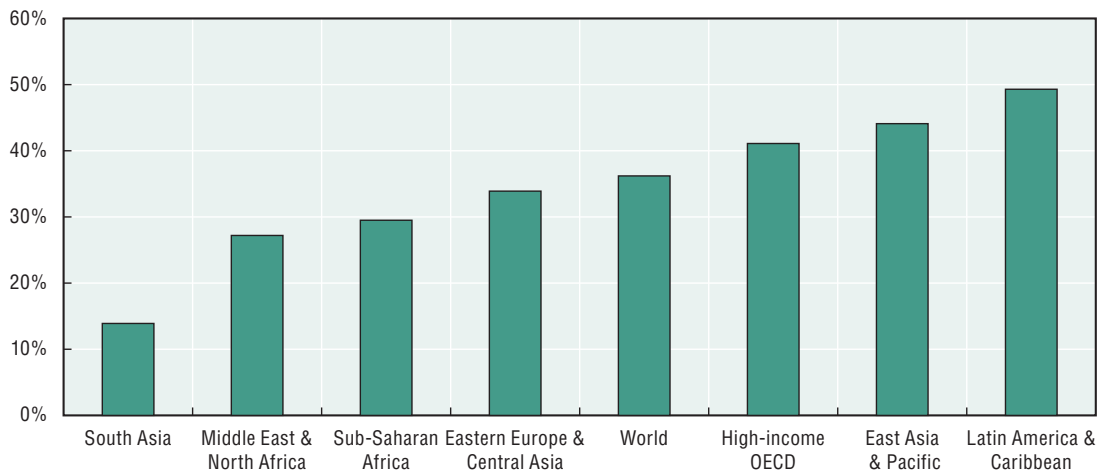
To be successful TVSD systems need a clear vision of the desired outcome and have to be focused on sectors with promising employment prospects. In many African countries responsibilities for TVSD are scattered across a large range of ministries and agencies and are not integrated with the overall education system. In Egypt for example TVSD centres are run by a wide range of 22 ministries and agencies, depending on the field of specialisation of the respective centre (AEO, 2008, country note Egypt). In addition two ministries deal with education-related issues, namely the ministry of education and the ministry of higher education, and are also involved in developing TVSD specific policies and frameworks. In recognition of the need for coherence the Supreme Council for Human Resource Development was established in 2000. However, coherence continues to be work in progress. Effective TVSD systems must provide the economy with the skills it needs. In South Africa the sector education training authorities (SETAs), set up by the 1998 National Development Act, aim to identify the skill needs of industrial sectors (including skill shortages and gaps), as well as constraints on the effective utilisation of skills in relation to the objectives of the national skills development strategy. All training initiatives in the enterprises are competency-based, depending on the specific competences required by the world of work (AEO, 2008).

African countries should strengthen partnerships with the private sector at all levels of education. The 2008 edition of the AEO showed that a deeper involvement of employers in the provision of in-service training has significant potential to increase the relevance as well as the cost-effectiveness of training systems. Close co-ordination with the private sector ensures that TVSD systems are aligned with the skills needs of the labour market. Partnerships with industry help accurately define the qualifications for each trade and the content of relevant occupational standards. Moreover, programmes offered by the private sector, such as on-the-job training or internships, allow both firms and workers to obtain information on the other side of the market and eliminate constraints on information asymmetry problems, such as the unidentified quality of workers from the employers' side, and unknown sorts of skills required from the workers' side (Attanasio *et al.*, 2009).


Africa trails other regions of the world in the proportion of enterprises offering training to their employees. Figure 6.32. shows that fewer than a third of formal firms in sub-Saharan Africa and the Middle East-North Africa (MENA) region offer training programmes for their permanent employees. Although this analysis is not restricted to young people, it shows that there is room for improvement in the involvement of firms in training and education. Both enterprises and governments must strive for closer co-operation and a stronger involvement of firms in the education of young people. Box 6.5. presents a successful example of training provision for young people in Africa by a large multinational company.



Figure 6.32. Firms offering training to their employees in Africa and the world, in percentage of total



Source: World Bank (2006-10).

StatLink  <http://dx.doi.org/10.1787/888932600868>

Box 6.10. Cisco Networking Academy. A successful example of private sector involvement in education and training

The Least Developed Countries (LDC) Initiative launched by US-based IT company Cisco, replicated later by Cisco networking academies, is a good example of partnership between several organisations including the United Nations. Cisco set out to provide Internet-based learning and information technology (IT) skills training in half the world's 50 least developed countries including 11 West African countries (Benin, Côte d'Ivoire, the Gambia, Ghana, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Senegal and Togo). In 2008, over 9 200 students aged between 25 and 34 were enrolled throughout West Africa (YEN-WA, 2008). A survey of the LDC Initiative conducted in six countries showed that two-thirds of respondents found IT jobs after completing the programme and that 10% started their own businesses. Currently, 31% of students graduating from the courses are women, exceeding the target of 30% (OECD, 2009).

Labour Market Information and Matching – a problem for disadvantaged youth, most public services are ineffective

Lack of information flows between job seekers and hiring employers can hamper the effectiveness of job search, especially for disadvantaged youth. Figure 6.23. showed that 46% of AEO country experts consider a lack of information flows in labour markets to be a major obstacle for young job seekers. Figure 6.34. in the next section shows that this is primarily a problem for youth with no, or only a little, education. They are more likely not to know where to look for a job and hence need more support with their job search. This is a challenge for job search systems: evidence from Europe suggests that job search assistance works mainly for individuals with sufficient education and better labour market prospects, and less for the more disadvantaged (Kluve, 2006).



Young people themselves do not see knowledge about where to find jobs as a major problem. In North Africa young people do not seem to consider knowledge about job opportunities to be a serious constraint. In Figure 6.33, it is ranked below many other problems that are considered to be bigger obstacles for young job seekers. In many countries, it is mainly through informal placement methods – typically through family and friends – that a young person finds work. In Algeria for example, access to jobs is linked to personal or family relations at a proportion of 41 % (AEO 2012 Algeria country note).

Many governments invest in job information systems, but with questionable effectiveness. The AEO survey of 37 country experts shows that although 23 countries offer the possibility of registering at a public employment service, only seven reach more than 50% of young job seekers (Table 6.4.). Public agencies are generally not very successful in helping young people find work: in Algeria, the ANEM (National Agency for Employment) has been able to find jobs for only about 11% of those registering and ANAPEC (National Agency for Promoting Employment and Skills) in Morocco about 9% (Barbier, 2006; Achy 2010; European Commission, 2010). In advanced economies, such systems are usually linked to unemployment benefits. Without a link to benefit collection, which exists in only three countries in the sample, it is difficult to ensure widespread participation in a particular government information system.

Private agencies are often more effective than public agencies, but only work with the urban formal sector as they are to a larger extent oriented towards employers' needs and provide services within smaller and targeted segments of the labour market. However, they generally focus on the most easily placed unemployed and concentrate on metropolitan areas, ignoring the other parts of the country (Angel-Urdinola et al., 2010). In this sample in only one country are more than 50% of the young registered.

Table 6.4. Job information systems in African countries

No. of countries	Register at a public employment service and receive unemployment benefits	Register at a public employment service (no benefits)	Get job search assistance from private employment agencies	Get school-to-work assistance from colleges and universities through programmes with the private sector
This service does not exist	31	10	12	9
Less than 25% of young job seekers	1	11	21	23
Between 25% and 50% of young job seekers	0	5	2	1
More than 50% of young job seekers	2	7	1	1

Source: AEO country survey; 37 countries.

Attitudes and expectations by employers and youth – Employers need incentives to hire those seeking their first jobs, young people need guidance to adapt their expectations.

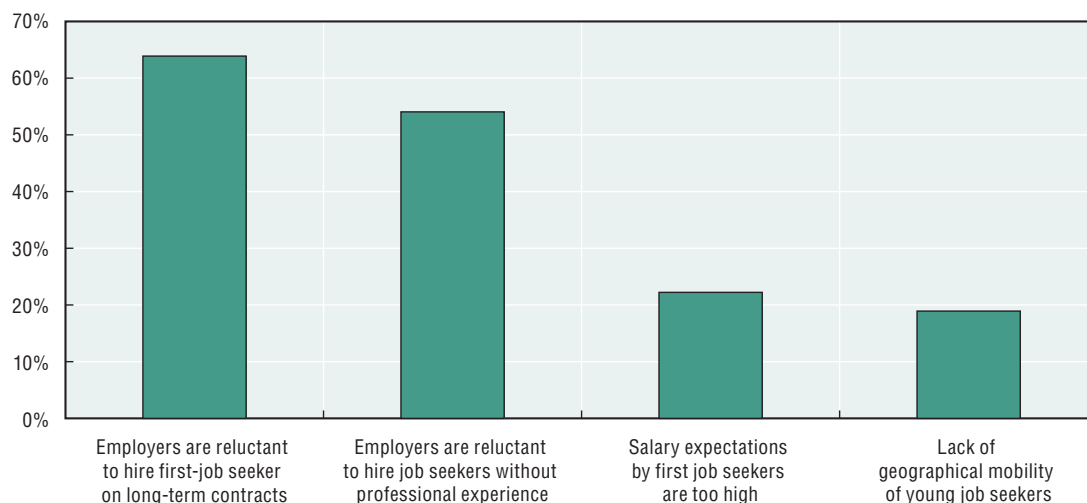
Attitudes and expectations are important factors in the job search process. Young people with expectations of a lifetime job in the public sector will spend much time looking for such a job even if their chance of obtaining one is very small. Employers, on the other hand, reject people seeking their first jobs because they want experienced candidates who have proven skills.

A survey among country experts shows that employers' hesitations about hiring young job seekers are serious obstacles for the young in many African countries (Figure 6.33.). Employers everywhere prefer candidates with experience over those without it. Especially where education systems are generally poor, job seekers without working experience are likely to have few relevant skills and employers would need to invest in training. Waiting for those young people who already have some experience allows employers to benefit from the training that job seekers might have received elsewhere. Experience can also be evidence




of the employability of a young person. Given the large numbers of the unemployed young in Africa, employers can easily reject job seekers without any experience because there will be many others available who already have some experience. As long as the large surplus of unemployed youth persists, employers will try to benefit from their ability to choose and give preference to the experienced and those who have obtained training elsewhere.

Figure 6.33. Employers' expectations are a challenge for young people entering the job market, in percentage of responding countries



Source: AEO Country Experts Survey 2012; 37 countries.

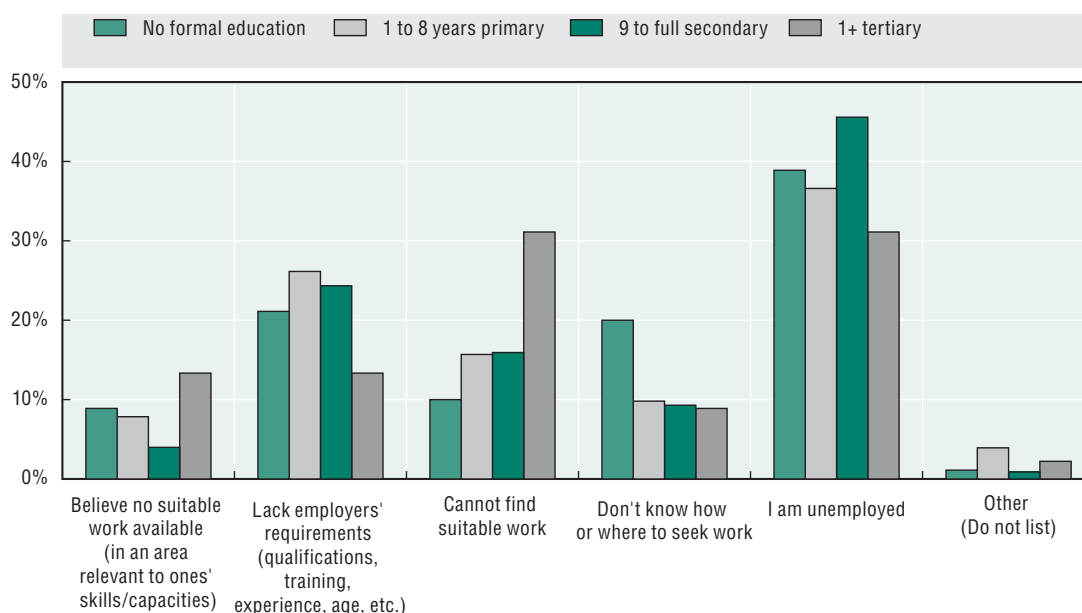
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Employers therefore need incentives to give young job seekers a chance. But these must be designed carefully to avoid negative side effects and displacement of existing workers. Apprentices and interns are time-consuming and costly for employers who should be compensated in one way or another. In some countries direct or indirect incentives are offered to companies in exchange for recruiting young people: employers are given funds that cover a part or the whole of the salaries of young workers, as well as other financial advantages such as social security waivers or reduction in labour taxes. This programme allows employers to narrow the gap between the presumed low productivity of inexperienced young workers and real wages. However, wage or training subsidies have unintended side-effects that can limit net employment gains in the short term (Calmfors 1994). These include deadweight loss (a subsidy is paid to unemployed person who would have also have been hired in the absence of the programme), substitution effects (jobs created for the target groups replace jobs for other groups) and displacement effects (the possible reduction of jobs elsewhere in the market). Subsidies can also impose a stigma effect on participants: if targeting is based on socio-demographic characteristics, employers may have a negative perception of the target group, limiting the impact of the programme (National Treasury, South Africa 2011).

Given the small size of the formal sector, informal firms need to be targeted as well. According to Charmes (2012) informal firms can even have learning advantages for youth, providing an even richer learning environment, because they have few staff and young interns or apprentices will be exposed to a much wider range of business activities. However, in the case of informal entrepreneurs tax incentives are not appropriate since informal entrepreneurs are not supposed to be taxpayers. Other creative solutions are necessary.



Figure 6.34. Unemployed and discouraged youth:
Self-reported reasons for not working

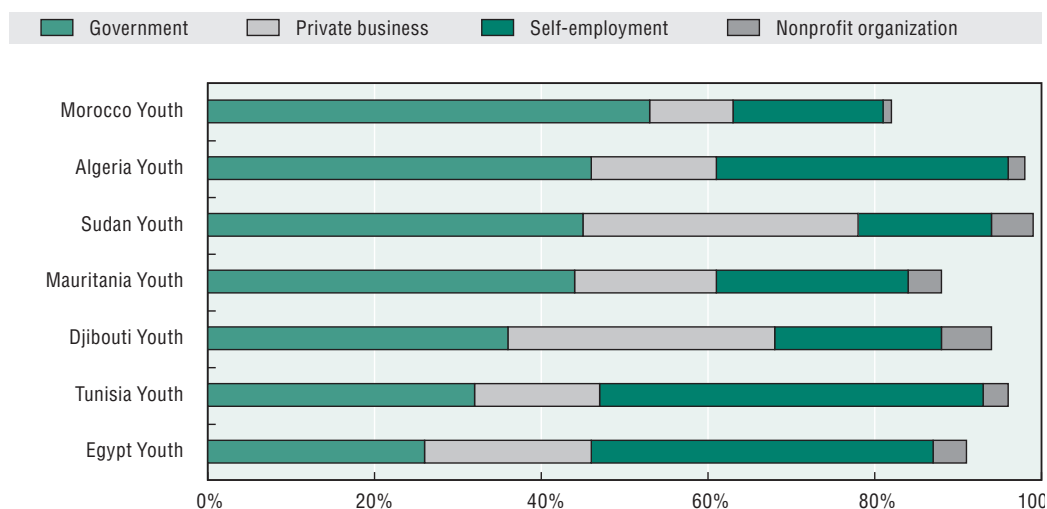


Source: Authors' calculations based on Gallup World Poll (2010).

StatLink <http://dx.doi.org/10.1787/888932600906>

Many young Africans have expectations that do not match the realities of the labour markets they face. Young people with higher education, in particular, are often unwilling to take jobs that do not fit their profile and may well offer lower pay or less job security than they expect. Figure 6.34. shows that among unemployed and discouraged youth with at least one year of tertiary education 25% report not being able to find work that suits their skills and capacities. For young people without education this share is only 8%. Along similar lines, De Vreyer and Roubaud (2012) find that in the early 2000s in West Africa 82% of jobs created were in the informal sector, but only 48% of the young wanted informal sector jobs. The public sector, which created virtually no jobs in the two years preceding the survey (fewer than 4% of new jobs), was still the target of 27% of young people's aspirations.

Figure 6.35. Where do you want to work, assuming equal pay and benefits?



Source: Silatech (2009), based on Gallup World Poll data.

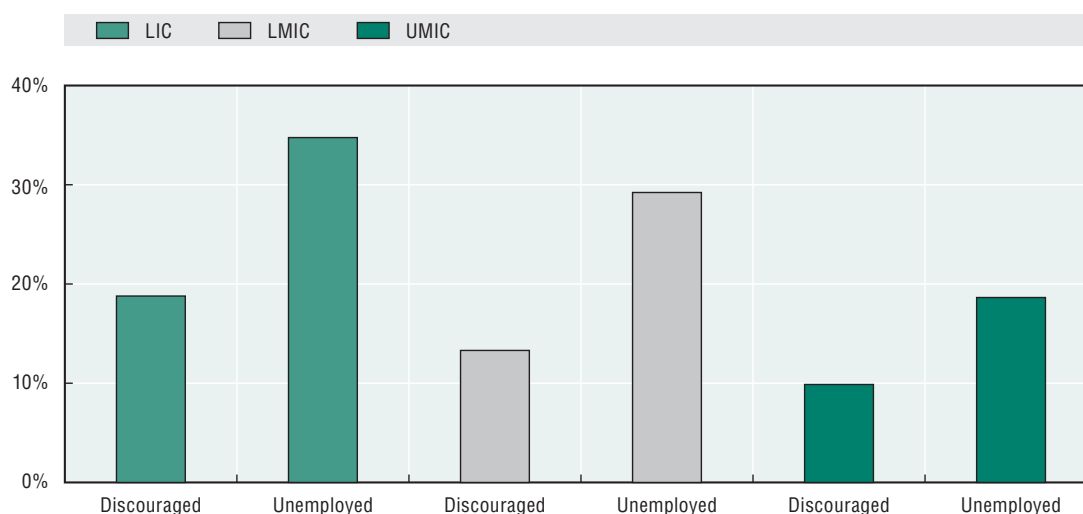
StatLink <http://dx.doi.org/10.1787/888932600925>




In North Africa in particular many young people want a government job and will face disappointment. Figure 6.35. shows their answers to the question: “Assuming equal pay and benefits, where would you prefer to work?” in seven North African countries. Egypt and Tunisia, the two North African Arab Spring countries, have the largest proportions of youth who prefer government employment to private sector jobs or self-employment. In Egypt 53% of the young want a government job, but only 18% of those aged 25-29 have one. In Tunisia 46% of youth want a government job, but the proportion of the 25-29 age group with a government job is the same as in Egypt. In both countries, employment with private business seems to have no appeal to young people. This large gap between young people’s expectations and the reality of the job market has undoubtedly caused much frustration and will continue to do so until expectations have adjusted. The expectations gap also causes higher youth unemployment since young people hold out for the expected public sector job instead of searching for work in the private sector. Creating more public sector employment cannot be a sustainable response to this gap. Public employment proportions are already very high in North African countries. Instead efforts must be made to help young people develop realistic expectations and to create a strong private sector, capable of offering attractive jobs.

Unemployed young people in MICs are less inclined to start their own business than those in poor countries. Figure 6.36. shows that among unemployed and discouraged youth, those in poor countries are the most likely to have a plan to start a business. Among the unemployed in LICs 35%, compared with only 19% of the unemployed in UMICS, have a business plan. Similarly, young people with less education are more likely to save money in to start a business than their contemporaries with higher education. These results indicate a shift of attitude among the young. As education and a country’s income levels increase the young are more likely to expect salaried employment. Although this is to a certain extent backed by a higher likelihood of finding such employment, it also inhibits job creation through young entrepreneurs. In UMICs such as South Africa or Algeria, where more than 50% of young people are in NEET, this lack of entrepreneurial attitude might partly explain the small share of informal sector activity among the young. Yet such activity would be greatly preferable to inactivity and discouragement. Young people in these countries need early guidance on the labour market they will face once out of school as well as support and incentives to engage in entrepreneurship instead of NEET.

Figure 6.36. Unemployed and discouraged youth with plans for a business, by country income group



Source: Authors' calculations based on Gallup World Poll (2010).

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Labour market regulation – The young need rules that make employing young people attractive

Young people need labour market regulations that ensure, as far as possible, that work is decent but at the same time do not inhibit labour market turnover and do not create dual labour markets with a well protected segment of older incumbents and a less protected segment of youth who would have to bear the full brunt of any adjustments. The country survey finds that severance pay provisions are the major type of employment protection with negative impact on youth employment. In developing countries, employment protection rules are often a low-cost alternative to providing social insurance to workers. Decoupling social protection from employment status would thus be an important step that could help with labour market flexibility and protection of vulnerable youth at the same time. Individual unemployment saving accounts (IUSAs) can provide a useful building block in such a strategy. In addition, young people need more flexible labour regulations which allow for internships and shorter term contracts for young people to help them obtain their first working experience and prove their employability.

Both African enterprises and AEO country experts consider labour regulations to be far down a long list of more important obstacles to youth employment (Figure 6.34. and Figure 6.37.). **This is not because labour regulations in Africa are very youth friendly but because enforcement is often low and other problems are more pressing.** In fact, World Bank *Doing Business* (2012a) data, which are based on assessments of labour regulations as they are stipulated in national law, rather than their implementation in practice, shows labour regulations in Africa to be the most rigid in the world. The average rigidity of employment of sub-Saharan African labour regulation in 2008 was 47.1, compared to 35.8 in North Africa; 23.0 in East Asia and 31.7 in Latin America (Fox and Sekkel, 2006). According to enterprise survey data, which are based on responses by firms based on their day-to-day experience, on the other hand, only 1% of firms in sub-Saharan Africa consider labour regulations to be their most important obstacle, compared to 8% in Latin America, the region with the highest value. Among African countries, those with higher income are more likely to rate labour regulations as an important obstacle than poorer countries, suggesting that governments have stronger implementation capacity but also that other constituencies, such as organised labour gain in strength (Gelb et al., 2007a).

Nevertheless, overly rigid labour regulations exercise a burden on youth. Although the evidence is mixed as to whether employment protection legislation (EPL) has a negative impact on total employment, the link between stricter EPL and negative outcomes for youth has been more clearly established. International experience shows that EPL can push employment from the formal to the informal sector and reduce turnover, thereby limiting opportunities for new entrants, i.e. young people (Box 6.11.). Furthermore, even though *de jure* labour regulations might have little practical meaning in many poor countries because of low enforcement capacity on the part of the government and a large informal sector, they may still discourage investors. Foreign investors with limited knowledge of the local context in particular might be deterred by seemingly strict labour regulations that could increase operating costs if enforced.

In North African countries labour regulations are particularly rigid. Morocco (132nd) and Egypt (141st) rank amongst the countries with the least efficient labour markets according to the World Economic Forum's Global Competitiveness Index (GCI) of 142 countries. The rules in these countries are so strict that they have a doubly negative impact on young job seekers. On the one hand, employers are reluctant to employ youth in permanent positions because of very high job protection and dismissal costs. On the other hand, the rules make it very difficult to set up internships or short-term contracts which would help graduates to acquire valuable skills for the market place while allowing companies to test the employees



over a fixed period before making a longer-term hiring decision (World Economic Forum, Arab World Competitiveness Report 2011/12). Both sets of rules need urgent reform. Establishing new rules for internships and short-term contracts only, without also easing the protection requirements on existing contracts, could easily lead to the creation of a dual labour market where the brunt of adjustment will always be felt by the unprotected workers, who are often the young (Box 6.11.).

Box 6.11. Effects of employment protection legislation around the world

Fears that EPL might significantly lower aggregate employment have not materialised, according to the available evidence, although there are notable differences from country to country. The assessment of evidence for OECD countries (OECD, 2006) concludes that the effect of EPL on overall unemployment is probably small. Studies of its impact on total employment find negative effects in some countries and none at all in others. Much of the evidence comes from Latin America, which tends to have both more costly job security provisions (Heckman and Pagés, 2000) and more available data. Even within Latin American economies, the evidence is mixed (Freeman, 2009): there are sizeable effects on unemployment in Colombia, but not in Chile, while findings from cross-country analysis do not always coincide with those from time-series or panel studies (see Kucera and Xenogiani, 2009). This suggests that measures of job protection legislation and its cost taken across countries tend to hide important differences in implementation.

On the other hand, there are also cautionary tales of employment protection that is overly restrictive or increases costs while offering only limited benefits. The inference is that the quality and details of employment protection legislation matter. In stark contrast with the modest aggregate effects observed in Latin American studies, research in India not only finds that pro-worker employment legislation shifts workers and output from the formal to informal sector (Besley and Burgess, 2003), but that pro-worker legislation brings workers no gains. Similarly, Kucera and Xenogiani (2009) interpret findings that link the regulatory burden to the size of the informal economy as representing how labour is regulated (especially through firm entry) rather than how much it is regulated. The effects of labour regulation on employment outcomes also depend on enforcement, which is typically imperfect. Increased enforcement efforts in the case of Brazil led to lower rates of informality but also to more unemployment and smaller firms (Almeida and Carneiro, 2009). In Indonesia during the 1990s, increased compliance with minimum wages was the key pathway to increased pay in the textile, footwear and apparel industry (Harrison and Scorse, 2010).

EPL may have a larger effect on youth employment in another respect, insofar as it limits turnover in the labour market and therefore creates barriers for new entrants. Studies of changes in EPL for Chile and Colombia do find that weaker EPL is associated with declines in job tenure, higher separation rates, and increased hiring in the formal sector (Freeman, 2009). Using a firm-level dataset for a set of 16 industrialised and developing countries, Haltiwanger et al. (2008) find that, although industry and firm size account for a large share of gross job flows, labour regulations are associated with lower job flows. If labour legislation reduces the ability of firms to adjust their workforce accordingly, particularly in downturns, it may have effects on aggregate performance.

Lower gross flows may raise youth unemployment by increasing the time new entrants need to find a job. This may only be a transitional difficulty for many young people, but those who remain unemployed for long periods may develop disadvantages that will affect them permanently throughout their careers. One answer to such challenges is the creation of specific non-standard employment contracts (with limited protection) for the young. However, experience suggests that such fixes, albeit effective, can create a trap which leads to those eligible remaining caught in fixed-term contracts with relatively little prospect of upgrading human capital. From a general standpoint, this leads to dual labour markets – although in quite a different form from the divide between formal and informal employment – which can seriously harm social cohesion. If labour regulations generate two-speed labour markets, the brunt of adjustment is felt mostly in the more flexible part of the market, usually the most unprotected one. Informal workers, and those with little job security, therefore feel all the more insecure.

Source: OECD, 2012a..



AEO country experts, asked about a range of labour regulation elements, identified high dismissal costs as the most important obstacle to youth in African labour markets. High firing costs, usually in the form of regulations of severance pay, can discourage employers from hiring young workers, especially in a risky business environment when it is difficult for firms to predict staffing needs. In many countries with no or very few unemployment benefits, severance pay is the only safety net provision that exists, leading to strong pressure from labour constituencies to keep it generous.¹⁷ The widespread lack of safety nets in many African countries might thus be contributing to forms of employment protection that discourage job creation and impact negatively on youth by imposing high firing costs on employers. Indeed, employment protection rules have often been considered a low-cost way of providing social insurance to workers in developing economies with high shares of informal employment. (Heckman and Pagés, 2004; OECD, 2011). As a result, much employment is shifted to the informal sector, where labour regulation does not apply. At the same time, the high share of informal employment and unemployment results in a small tax base and insufficient resources to establish universal social protection.

Decoupling social protection from employment status can help with labour market flexibility and protection of vulnerable youth at the same time. Decoupling social protection from employment status and shifting the cost burden of social protection away from employment could help to break this cycle of imposing high costs of social protection on employers, which limits labour market flexibility and leads to a large informal sector that does not contribute to social protection systems. Decoupling employment and protection would also make it possible to extend social protection to informal workers and youth in inactivity, thereby providing disadvantaged young people and the working poor with essential support and increasing labour market flexibility. Individual unemployment saving accounts (IUSAs) can provide a useful building block of such a strategy (Robalino et al., 2009).

Figure 6.37. AEO country experts' rating of labour regulations as obstacles to youth employment, in percentage of responding countries



Source: AEO Country Experts Survey 2012; 37 countries.

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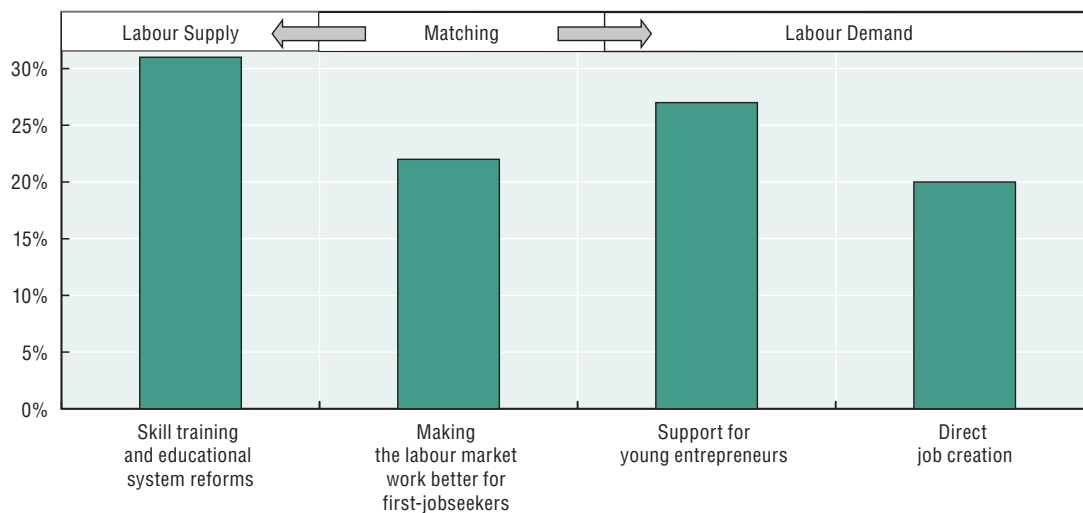


Government action to promote youth employment: a poor track record

Almost every African country is running Active Labour Market Programmes (ALMPs) to reduce unemployment and promote employment for young people. Following the framework of analysis from the preceding section, ALMPs can be classified into three categories, addressing labour demand, labour supply, or labour market mediation and matching.

- Programmes addressing *labour demand* aim to create jobs through promoting entrepreneurship; but also through direct jobs creation (public works programmes).
- Programmes addressing *labour supply* generally aim to increase the productivity and employability of young people by providing skill training, and improving the educational system
- Programmes addressing *labour market mediation and matching* improve the functioning of the labour market and link demand and supply through better matching services

Figure 6.38. Initiatives targeting youth employment, in percentage of responding countries



Source: AEO Country Experts Survey 2012; 37 countries.

StatLink <http://dx.doi.org/10.1787/888932600982>

Figure 6.38. shows that programmes addressing labour supply and skills training are most frequent. In the sample 31 countries have programmes that address labour supply while 27 run programmes to promote entrepreneurship and 20 conduct direct job creation programmes. Measures to make the labour market work better for those seeking their first job are less frequent, involving 22 countries. Generally governments do not limit themselves to one field of action only but most of them undertake several initiatives.

However, the track record of many programmes is poor and coverage is low. Among 36 AEO country experts, 21 said programmes implemented to tackle youth unemployment are dysfunctional and have a low coverage; programmes are well-developed covering more than 50% of young jobseekers in only one country (Morocco). According to a survey carried out in 19 countries (Afrobarometer, 2008) 69% of respondents think that their government handles job creation badly while only 27% find that their government is dealing well with the matter. The country notes accompanying this report as well as the literature on the promotion of youth



employment in Africa, much of it discussed in preceding sections, identify the following shortcomings shared by many government programmes:

- Responsibilities for youth employment policies are split between too many government actors with insufficient co-ordination among them;
- Lack of data and understanding of the challenges young people face, especially in the informal sector;
- Lack of evidence on what really works and therefore programmes that are poorly designed and funded;
- Piecemeal programmes that are not sufficiently comprehensive to address all the major bottlenecks that hold young people back.

Box 6.12. presents experiences with success and failure in promoting youth employment from UNDP's regional programme for youth employment in West Africa.

Box 6.12. UNDP YERP: Lessons of success and failure in youth employment initiatives

Established in 2009 the Regional Programme for Youth Employment and Social Cohesion (YERP) is a project managed by the United Nations Development Programme (UNDP's) regional Service Centre based in Dakar, Senegal.

In spite of its recent creation YERP has achieved some notable successes. One example is the training of youth and provision of credit for the development of agri-businesses in Guinea. The project aims to train 200 Guinean youths over the next two years. In collaboration with IFAD, ILO, UNIDO and WFP, and the Songhai Centre in Benin, YERP is offering training in youth entrepreneurship, self-employment and project design in agricultural projects. Thanks to her training at the Songhai Centre, Fatimatou Saidou Diallo, a 34-year Guinean young mother, has expanded her farm, where she produces chickens and eggs. A revolving loan from a microfinance institution established by UNDP to support agricultural entrepreneurship allowed her to buy 3 000 chicks and 1 700 laying hens for her farm. In addition to a higher income, she now employs six youths full time and has trained a large number of others. She also offers continued advice and monitoring services to four chicken farms in the area. During a January 2012 visit to her farm, the UNDP administrator hailed the courage of young people like Ms. Diallo who take the risk of borrowing and investing in sectors where their elders do not see opportunity.

The key to the success of this project and similar ones is the collaboration of several institutions, each contributing its specific expertise. More important, however, the integration of training, post-training coaching and access to low-interest credit is the most important aspect of this success story. Through YERP's revolving fund, the trainees are able to start their own businesses. The fund is deployed through six local micro-finance institutions selected by a steering committee. Since the beginning of the programme, 3 406 young people – 1 845 young women and 1 561 young men have benefited from the revolving fund to create and develop their own businesses in sectors including retail trade, textiles, agri-business, food industry and breeding. The rate of loan recovery is very high, making the fund self-sustaining.

A case where success has been less obvious can be seen in that of a skills training initiative developed in The Gambia to promote youth employability. YERP targets women and youth with the objective of reducing unemployment, underemployment and poverty. GAMJOBS (Gambia Priority Employment Programme), in collaboration with the National Training Authority (NTA), is implementing a Master Crafts Persons Apprenticeship Training Programme that promotes education as well as technical and vocational training (TVET) in several fields: textiles, cookery, hairdressing, mobile telephone repair and information technology, agriculture, tie-and-dye,



soap making, food processing, auto mechanic, agriculture/horticulture, carpentry, construction, electrical installations and fisheries. All skills training programmes offered under this project are NTA accredited. The objective was to offer women and young people the opportunity to increase their skills, giving them the tools to seek employment or become self-employed at the end of their training. Currently, out of the initial target of 1 000 young men and women, 388 have been trained in entrepreneurship but have had to wait a long time before accessing funds to start their own business.

The impact of this initiative has been limited by its delay in implementation. For example, it emerged that the tools and other equipment that were expected to be provided by the NTA to Master Crafts Persons and some of the protective gear for the trainees had not been procured in time, negatively affecting the quality of the training, its duration and retention of trainees. Moreover, unlike the integrated approach adopted in the Guinean case, vocational training was not integrated into The Gambia's funding strategy for youth employment. Furthermore, the lack of co-ordination between training initiatives, procurement process for training equipment and micro credit meant that the trainees could not mobilise the required start-up capital to start their own small businesses. In the end, a number of trainees did not benefit immediately from their training

Source: UNDP.

Government action to promote youth employment needs better coordination. The lack of institutional co-ordination and the heterogeneity of the actors intervening in the fight against youth unemployment are a major obstacle in Africa. In many countries the responsibility for youth employment policy is split among a wide range of ministries and agencies, often operating in isolation and with little co-ordination. The lack of a coherent strategic approach results in fragmentation of efforts and wasted resources.

Efforts to improve availability and quality of employment data in Africa are crucial. In most African countries employment data are very scarce, preventing a better understanding of what young people need to obtain good jobs. As discussed earlier in the context of the data used for this report, data on employment are notoriously difficult to obtain in Africa. Unemployment registers exist in some countries, but are often confined to urban areas and are not comprehensive, leaving household surveys as the only alternative to obtain comprehensive data. However, employment focused surveys, such as LFSs, are sparse in Africa. Only the better-off middle income countries in Southern and North Africa conduct them regularly. Good panel surveys that follow individuals over time and provide data on the longer term impact of evaluation and the dynamics of movement between different segments of the labour market are even rarer. Where LFSs exist, they are often outdated (more than five years old) and do not contain adequately disaggregated data (by age, gender, location). In the country expert survey only six respondents considered the government to have very good knowledge of the situation of youth in the labour market. The governments of 14 countries are considered to have only little or no knowledge. The lack of data makes it difficult for policy makers to understand the nature of the employment challenge and take informed decisions on how to support young people in the labour market.

The scarcity of data on informal employment and entrepreneurship in particular is a major obstacle given the importance of this sector for youth employment. Box 6.13. presents the 1-2-3 survey experience in Africa, which should be replicated to improve the grasp of, and response to, youth employment challenges.



Box 6.13. Measuring employment and informal economy: the 1-2-3 Survey experience in Africa

In spite of its universally-recognised role as a transmission belt between macroeconomic dynamics and poverty, information on African labour markets remains thin because of a lack of data. LFS, a core statistical tool to measure households' economic activities in most countries in the world, are not well adapted to sub-Saharan Africa (SSA). The predominance of the informal sector in African economies is a further hindrance to traditional survey tools. This sector is by far the leading job provider in urban areas, and the second in rural areas after agriculture. However the informal sector remains largely neglected, in need of sound, evidence-based policies.

The 1-2-3 Survey has been specifically created to fill this measurement gap. The 1-2-3 Survey is a mixed household/enterprise survey specifically designed to capture the informal sector in all its dimensions (Razafindrakoto *et al.*, 2009). Phase 1 is an extended LFS, providing accurate labour market indicators which go beyond the unemployment rate. It includes main and secondary jobs by status of firm (formal/informal) and their attributes. Phase 2 is an enterprise survey, carried out on a representative sub-sample of informal firms identified in Phase 1 which seeks to measure their main economic and productive characteristics. Phase 3 is an income and expenditure type household survey, the sample of which is drawn from Phase 1 and the aim of which is to estimate the weight of the formal and informal sectors in household consumption. Since its debut in Cameroon in 1993 and in Madagascar in 1995, the 1-2-3 Survey has been conducted in 15 African countries, as well as in Latin America and Asia. Initially covering only the main agglomerations most of the surveys are now conducted nationwide.

The 1-2-3 Survey allows for varying configurations reflecting the needs and particularities of different countries. In some countries a panel data component has been included (Benin, Burundi, Madagascar). The survey can be used to construct ad hoc control groups to evaluate the impact of labour or informal sector policies and projects (for instance, microcredit in Madagascar). It has become a benchmark used in a wide range of applications, and some of its contributions (sampling and questionnaires) have been gradually incorporated into other types of household surveys.

1-2-3 Surveys have allowed researchers to address a wide range of issues in multi-country studies, such as returns to education, skills-jobs mismatches, vulnerability in employment, labour market segmentation and formal/informal earnings gaps, ethnic and gender discrimination, migration in its different components, job satisfaction, inter-generational transmission and inter-sector and intra-sector equality of opportunities. Some of these contributions are gathered in a book on urban labour markets in SSA (De Vreyer and Roubaud, 2012). Based on Phase 2, informal sector potential, constraints (economic, institutional and social), and heterogeneity have been investigated in depth in the frame of a multi-partner international research programme (Grimm *et al.*, 2011b).

Among the challenges ahead, first, LFS and informal sector surveys should be institutionalised and conducted with a greater frequency. The 1-2-3 Surveys should be implemented in non-Francophone countries. Second, the survey results should serve as inputs to enlarge the depth of national accounts, by measuring consistently the informal economy's contribution. Finally, the surveys should serve to elaborate, monitor, evaluate and expand specific policies dedicated to improving labour market functioning and supporting the informal sector.

Source: François Roubaud, DIAL.



Policy makers and programme designers need much better evidence of what works and what does not in youth employment promotion. Despite abundant international reporting on ALMPs, evidence of long-term benefits and cost-effectiveness is insufficient, as most programmes remain largely unmonitored and unevaluated. Any programme aimed at bringing young people into employment is based on an assumption of what the main obstacles to youth employment are and how they can best be removed given the country context and target group. Implementation puts these assumptions to the test and most often reveals additional factors that had not been taken into account at the planning stage. Without good monitoring and evaluation, however, these additional factors remain in the dark. Programmes fail, but the reason for such failure remains unknown. Without understanding the causes of failure, corrective measures are not possible and new programmes will repeat the same mistakes. Similarly, programmes might show the expected results, but at a high cost (see Box 3 on public works and cost effectiveness). Cost-effectiveness analysis is necessary to design programmes that get the best results for a given amount of resources. The current level of knowledge on which programmes are the most effective in the different contexts of LICs and MICs is very low. In a global review of evaluations of ALMPs targeting youth, Betcherman *et al.* (2007) found that Sub Saharan Africa and the Middle East and North Africa region had the lowest coverage and quality of evaluations of such programmes. More and better evaluations mixing control group designs with participative methods and cost-effectiveness analysis are needed to help policy makers identify what really works best.

Box 6.14. Public works programmes: Better for social protection than promoting youth employment

Faced with insufficient labour demand and many youth in NEET, governments use public works programmes as short term fixes to create jobs. Evaluations show, however, that they are generally better suited to provide a social protection floor than to promote youth employment. In terms of job creation, most programmes provide only short-term employment opportunities. There is little evidence that participation in public works programmes improves the transition to formal private sector employment (Dar and Tzannatos, 1999; Betcherman, *et al.* 2004). Finally, public works programmes can create dependency on cash transfers, hindering beneficiaries' transition to unsubsidised employment (Puerto, 2007).

One example of a public works programme is AGETIP Senegal (Agence d'Exécution des Travaux d'Intérêt Public contre le sous-emploi), a US\$ 33 million initiative created in 1989. The programme was conceived primarily as a means of providing employment to young people. Although largely regarded as a success, an evaluation of the programme showed an average cost of USD 37 per job per day (World Bank, 2007b). Given that a large share of Senegal's population lives on less than USD 2 per day (PPP) and that most of these jobs remained temporary, the cost-effectiveness of this programme is low.

In contrast to AGETIP, the PSNP (Productive Safety Net Programme) in Ethiopia, launched in 2005 was conceived primarily as a means to distribute transfers both in cash and in kind to chronically food-insecure households, while at the same time creating community assets through a required employment component (Holmes and Jones, 2011; Koochi-Kamali, 2010). Two recent evaluations of the programme showed an asset-protection impact. Beneficiaries of the programme showed higher growth in income and assets than non-beneficiaries (Sabates-Wheeler and Devereux, 2010; Devereux and Guenther, 2009). The evidence from PSNP, and other similar initiatives, indicates that programmes designed primarily as a means of cash transfer are more successful than those aiming to provide employment.



Programmes to promote youth employment can be most effective when addressing all important constraints, not just one. Evaluation shows that programmes based on a single initiative are unlikely to work for the unemployed young. Instead programmes are most effective when they address financial and skill gaps at the same time. Skill building and temporary employment programmes need to be followed by job placements. Strong co-operation with the private sector to understand employers needs and create opportunities for young people in the form of apprenticeships and internships are crucial.

Young people are Africa's greatest asset, but need solutions to structural problems

Today's young people in Africa are more numerous and better educated than ever before. These young people represent a great opportunity, but also enormous challenges to which African countries must rise. Africa's strong economic growth of the last decade has translated into jobs but not enough of them, particularly not for young labour market entrants. Working poverty and vulnerable employment continue to be realities for the majority of young people in Africa, especially in the poorest countries. In countries that are further along the path of economic development, NEET rates of youth are rising as the informal sector faces lower demand from a middle class that prefers higher quality products, while the still small formal economy is moving towards a higher skill equilibrium leaving behind those without the right skills.

The youth employment challenge in Africa is primarily structural and therefore needs structural solutions. Specific initiatives aimed at bringing a select group of youth into employment might have a positive impact, but will not be sufficient to change the dynamics substantially. Despite the challenging short-term outlook, the long term perspective is good, if African governments effectively tackle the hurdles young people face.

To tackle the challenges young people face in African labour markets, policy makers must address bottlenecks constraining the demand for labour, while at the same time helping young people to obtain the skills to succeed in a tough labour market.

The analysis presented in the chapter has clearly shown that any youth employment policy must centre on job creation in the private sector and provide the right conditions for businesses of all sizes to grow and expand their workforce. The constraints companies face change with their size and a country's income level. Electricity is the biggest constraint to all firms. Larger firms tend to suffer from high costs of transport inhibiting their competitiveness. Small enterprises are held back by insufficient access to finance and land. Micro-credit has been able to solve some of this but only for the smallest enterprises, it cannot support expansion. Under current conditions, hardly any small enterprises manage to grow to medium size.

Labour regulations, often the first object of blame for poor labour market outcomes for young people, are not a binding constraint in poor countries. Although unfavourable on paper, they are much less relevant in practice. As countries grow richer and better at enforcing rules, however, overly stringent labour regulations become more of a concern. Reforms should be enacted before reaching this state. Creating social protection systems that are linked to the individual, irrespective of employment status, could be an important component of such reforms, easing the burden of severance pay.

Given the small size of the formal sector in most African countries, governments must change their outlook on the informal sector and on rural areas and promote job creation there too. Together these sectors account for the large majority of young people and show



significant potential that can be harnessed. Research shows that among the many informal micro entrepreneurs, some show very high returns to their investment and promising entrepreneurial skills but are held back by many constraints. Identifying these young entrepreneurs that have potential, supporting them and tackling the constraints they face, especially in access to finance, markets and insurance against risks, can enable them to create jobs for other young people. Formalisation should be supported through incentives and information, not punishment and coercion.

In rural areas non-farm household enterprise activities have been growing substantially over recent years, allowing households to diversify their income sources and young people to find economic opportunities. Youth in rural non-farm employment are on average much better off than youth in farming and already today across all of Africa 53% of young people in rural areas are not in agriculture, but engaged in other activities. Household enterprises in rural areas need further support. Their needs are similar to those of other firms, but also include better linkages to markets and urban centres, as well as skills and training adapted to the rural environment.

To provide young people with the right skills and to overcome skills mismatches, governments must focus on expanding education beyond primary schooling and improve its quality and relevance. The analysis in this chapter has shown that higher education is linked to higher unemployment among young people, but also to better employment status, higher wages and lower unemployment among adults. Skills mismatches are at work. It has also shown that returns to education are much more significant at secondary schooling than earlier, which makes a strong case for expanding education beyond primary school. The long transition time from schooling into employment for many youth suggests that education at this level is too generalised and instils few of the practical skills that small firms or self-employment require. TVSD can be an important tool especially when done in cooperation with firms, but plays a minimal role for the time being. A much larger share of youth goes through informal apprenticeships. Governments must find ways to recognise these and combine them with formal education. At the university level, Africa has the highest share of social science and humanities graduates of any world region. Its share of engineers is the lowest. Only 2% of students are in agriculture, the same as in OECD countries, although this sector is clearly Africa's comparative advantage. Education in technical fields is expensive and requires scarce expertise. Governments should seek cooperation with the private sector to provide high quality technical education at both secondary and tertiary levels.

Finally, more evaluation and labour market information is key for better youth employment programmes. The coverage of labour force surveys and evaluations of labour market programmes in Africa is very low compared to other regions. As a result, policy makers and programme designers have little evidence to go on and many programmes show few results. Governments and donors should focus on filling this void.

Notes

1. The ILO definition of vulnerable employment is based on employment status only. It does not take into account the number of hours worked. It therefore does not account for those that are wage employed but underemployed. Gallup World Poll data on the other hand provides employment status for full-time workers only, part-time workers are categorised as either voluntary or involuntary. Analysis based on Gallup World Poll data in this chapter, therefore counts any employment that is less than full-time as vulnerable.
2. Adapted from ILO.
3. See also note 1.
4. It should be noted that although the TRENDS model is used here to fill some data gaps, its projections are subject to severe data limitations for most African countries.



5. See Charmes (2009) for an analysis of the linkages between self-employment and informality. In the 1990s in sub-Saharan Africa 72% of the self-employed were in informal employment. In North Africa this share was 63%.
6. Figure 6.4. also serves to dispel the “lump-of-labour fallacy”, the belief that older workers occupy the jobs young people could have if the old were just to retire. Although this may be plausible in the context of a stable or shrinking government workforce –as is shown later– the high correlation between adult and youth unemployment suggests otherwise. Countries with high adult unemployment also have high youth unemployment and vice versa. Both adult and youth unemployment thus reflect the overall demand for labour. In most sectors, adult labour and youth labour are sufficiently different to be only marginally substitutable. Adults have more experience and often fulfil different roles from those of labour market entrants. Adults can therefore not easily be replaced by labour market entrants.
7. ILO definitions, 1993 & 2003: non-farm household businesses, unregistered businesses and firms with less than five workers.
8. Gallup World Poll data allows making a distinction between the underemployed and other vulnerable workers, which is not made in all LFS.
9. Data from Gallup World Poll.
10. This figure is the counterpiece to Figure 8. For each category the sum of the two bars is equal to 100.
11. Some urban areas are exceptions to this trend: Kuépié and Nordman (2011) find that unemployment rates for young men with higher education are lower than for youth with little education in Brazzaville and Pointe Noire. Young women follow the same trend observed elsewhere in Africa.
12. Population refers to the total cohort, not only those in the labour force.
13. Already in the 1990s Antoine et al. (2001) identified a deteriorating trend of employment opportunities for young people in urban West Africa.
14. In Egypt, for example, most banks demand collateral of 150% of the loan amount, making access to finance impossible for small businesses that face credit constraints to growth.
15. Böhme and Thiele (2011) show this mechanism at work using data for West African urban areas.
16. Rodrik (2006) reports that the employment share of tradables dropped from 40% in 1982 to 30% in 2004, whereas the share of private non-tradables sectors (financial services, construction, trade, retail, transport, and other services) increased from 28% to 36% during the same time. In 2004 about 60% of workers employed in manufacturing were classified as low-skilled and unskilled, compared to only 25% in private non-tradable sectors (financial services, construction, trade, retail, transport, and other services).
17. See for example Business Daily (Kenya), November 9, 2011: Africa: Cost of Sacking Workers Erodes Kenya's Appeal to Big Investors “It (the costly severance pay) is necessary because we do not have unemployment benefits like in other countries,” said Noah Chune, a labour economist and education director at the Central Organisation of Trade Unions (COTU). He said that sacked Kenyan workers do not have any other source of income to fall back on.” Accessed at <http://allafrica.com/stories/201111091241.html>, on 2 March 2012.

Figure Notes

Figure 6.3. LIC group: Burkina Faso, Central Afr. Rep., Chad, Comoros, Kenya, Liberia, Mali, Niger, Sierra Leone, Somalia, Tanzania, Uganda, Zimbabwe; LMIC group: Cameroon, Djibouti, Egypt, Ghana, Mauritania, Morocco, Nigeria, Senegal, Sudan; UMIC group: Algeria, Botswana, Libya, South Africa, Tunisia

Figure 6.7. LIC group: Burkina Faso, Burundi, Central Afr. Rep., Chad, Congo Dem. Rep., Kenya, Liberia, Malawi, Mali, Niger, Rwanda, Sierra Leone, Tanzania, Uganda, Zimbabwe, ; MIC group: Botswana, Cameroon, Cote d'Ivoire, Ghana, Nigeria, Senegal, South Africa, Zambia

Figure 6.8. LIC group: Burkina Faso, Central Afr. Rep., Chad, Comoros, Kenya, Liberia, Mali, Niger, Sierra Leone, Somalia, Tanzania, Uganda, Zimbabwe; LMIC group: Cameroon, Djibouti, Egypt, Ghana, Mauritania, Morocco, Nigeria, Senegal, Sudan; UMIC group: Algeria, Botswana, Libya, South Africa, Tunisia

Figure 6.9. LIC group: Burkina Faso, Central Afr. Rep., Chad, Comoros, Kenya, Liberia, Mali, Niger, Sierra Leone, Somalia, Tanzania, Uganda, Zimbabwe; LMIC group: Cameroon, Djibouti, Egypt, Ghana, Mauritania, Morocco, Nigeria, Senegal, Sudan; UMIC group: Algeria, Botswana, Libya, South Africa, Tunisia

Figure 6.10. LIC group: Burkina Faso, Central Afr. Rep., Chad, Comoros, Kenya, Liberia, Mali, Niger, Sierra Leone, Somalia, Tanzania, Uganda, Zimbabwe; LMIC group: Cameroon, Djibouti, Egypt, Ghana, Mauritania, Morocco, Nigeria, Senegal, Sudan; UMIC group: Algeria, Botswana, Libya, South Africa, Tunisia

Figure 6.11. LIC group: Burkina Faso, Central Afr. Rep., Chad, Comoros, Kenya, Liberia, Mali, Niger, Sierra Leone,



Somalia, Tanzania, Uganda, Zimbabwe; LMIC group: Cameroon, Djibouti, Egypt, Ghana, Mauritania, Morocco, Nigeria, Senegal, Sudan; UMIC group: Algeria, Botswana, Libya, South Africa, Tunisia

Figure 6.12. LIC group: Burkina Faso, Central Afr. Rep., Chad, Comoros, Kenya, Liberia, Mali, Niger, Sierra Leone, Somalia, Tanzania, Uganda, Zimbabwe,

Figure 6.13. MIC group: Algeria, Botswana, Cameroon, Djibouti, Egypt, Ghana, Libya, Mauritania, Morocco, Nigeria, Senegal, Sudan, South Africa, Tunisia

Figure 6.14. LIC group: Burkina Faso, Central Afr. Rep., Chad, Comoros, Kenya, Liberia, Mali, Niger, Sierra Leone, Somalia, Tanzania, Uganda, Zimbabwe; LMIC group: Cameroon, Djibouti, Egypt, Ghana, Mauritania, Morocco, Nigeria, Senegal, Sudan; UMIC group: Algeria, Botswana, Libya, South Africa, Tunisia

Figure 6.15. LIC group: Burkina Faso, Central Afr. Rep., Chad, Comoros, Kenya, Liberia, Mali, Niger, Sierra Leone, Somalia, Tanzania, Uganda, Zimbabwe; LMIC group: Cameroon, Djibouti, Egypt, Ghana, Mauritania, Morocco, Nigeria, Senegal, Sudan; UMIC group: Algeria, Botswana, Libya, South Africa, Tunisia

Figure 6.16. LIC group: Burkina Faso, Central Afr. Rep., Chad, Comoros, Kenya, Liberia, Mali, Niger, Sierra Leone, Somalia, Tanzania, Uganda, Zimbabwe; LMIC group: Cameroon, Djibouti, Egypt, Ghana, Mauritania, Morocco, Nigeria, Senegal, Sudan; UMIC group: Algeria, Botswana, Libya, South Africa, Tunisia

Figure 6.17. LIC group: Benin, Burkina Faso, Burundi, Central Afr. Rep., Chad, Comoros, Kenya, Liberia, Madagascar, Mali, Mozambique, Niger, Rwanda, Sierra Leone, Somalia, Tanzania, Togo, Uganda, Zimbabwe; LMIC group: Angola, Cameroon, Congo, Djibouti, Egypt, Ghana, Mauritania, Morocco, Nigeria, Senegal, Sudan, Zambia; UMIC group: Algeria, Botswana, Libya, South Africa, Tunisia

Figure 6.21. LIC group: Burkina Faso, Central Afr. Rep., Chad, Comoros, Kenya, Liberia, Mali, Niger, Sierra Leone, Somalia, Tanzania, Uganda, Zimbabwe; LMIC group: Cameroon, Djibouti, Egypt, Ghana, Mauritania, Morocco, Nigeria, Senegal, Sudan; UMIC group: Algeria, Botswana, Libya, South Africa, Tunisia

Figure 6.22. LIC group: Burkina Faso, Burundi, Central Afr. Rep., Chad, Congo Dem. Rep., Kenya, Liberia, Madagascar, Malawi, Mali, Mozambique, Niger, Rwanda, Sierra Leone, Tanzania, Togo, Uganda, Zimbabwe; LMIC group: Angola, Cameroon, Congo, Cote d'Ivoire, Ghana, Nigeria, Senegal, Zambia; UMIC group: Botswana, South Africa

Figure 6.24. Algeria, Comoros, Djibouti, Egypt, Mauritania, Morocco, Somalia, Sudan, Tunisia

Figure 6.25. LIC group: Burkina Faso, Central Afr. Rep., Chad, Comoros, Kenya, Liberia, Mali, Niger, Sierra Leone, Somalia, Tanzania, Uganda, Zimbabwe; LMIC group: Cameroon, Djibouti, Egypt, Ghana, Mauritania, Morocco, Nigeria, Senegal, Sudan; UMIC group: Algeria, Botswana, Libya, South Africa, Tunisia

Figure 6.29. LIC group: Burkina Faso, Central Afr. Rep., Chad, Comoros, Kenya, Liberia, Mali, Niger, Sierra Leone, Somalia, Tanzania, Uganda, Zimbabwe; LMIC group: Cameroon, Djibouti, Egypt, Ghana, Mauritania, Morocco, Nigeria, Senegal, Sudan; UMIC group: Algeria, Botswana, Libya, South Africa, Tunisia

Figure 6.34. LIC group: Burkina Faso, Central Afr. Rep., Chad, Comoros, Kenya, Liberia, Mali, Niger, Sierra Leone, Somalia, Tanzania, Uganda, Zimbabwe; LMIC group: Cameroon, Djibouti, Egypt, Ghana, Mauritania, Morocco, Nigeria, Senegal, Sudan; UMIC group: Algeria, Botswana, Libya, South Africa, Tunisia

Figure 6.36. LIC group: Burkina Faso, Central Afr. Rep., Chad, Comoros, Kenya, Liberia, Mali, Niger, Sierra Leone, Somalia, Tanzania, Uganda, Zimbabwe; LMIC group: Cameroon, Djibouti, Egypt, Ghana, Mauritania, Morocco, Nigeria, Senegal, Sudan; UMIC group: Algeria, Botswana, Libya, South Africa, Tunisia

Figure 6.39. LIC group: Burkina Faso, Burundi, Central Afr. Rep., Chad, Congo Dem. Rep., Kenya, Liberia, Madagascar, Malawi, Mali, Mozambique, Niger, Rwanda, Sierra Leone, Tanzania, Togo, Uganda, Zimbabwe; LMIC group: Angola, Cameroon, Congo, Cote d'Ivoire, Ghana, Nigeria, Senegal, Zambia; UMIC group: Botswana, South Africa

Figure 6.40. LIC group: Burkina Faso, Central Afr. Rep., Chad, Comoros, Kenya, Liberia, Mali, Niger, Sierra Leone, Somalia, Tanzania, Uganda, Zimbabwe; LMIC group: Cameroon, Djibouti, Egypt, Ghana, Mauritania, Morocco, Nigeria, Senegal, Sudan; UMIC group: Algeria, Botswana, Libya, South Africa, Tunisia



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6. Promoting Youth Employment

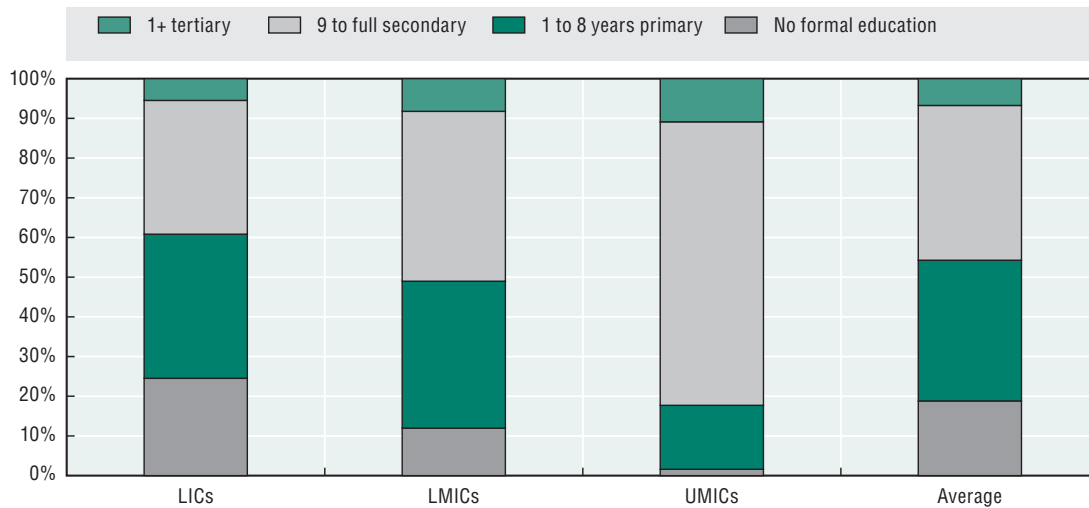
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Annex I: Basic characteristics of African youth

Some basic statistics about African 15-24 year olds by country income group, based on Gallup World Poll data.

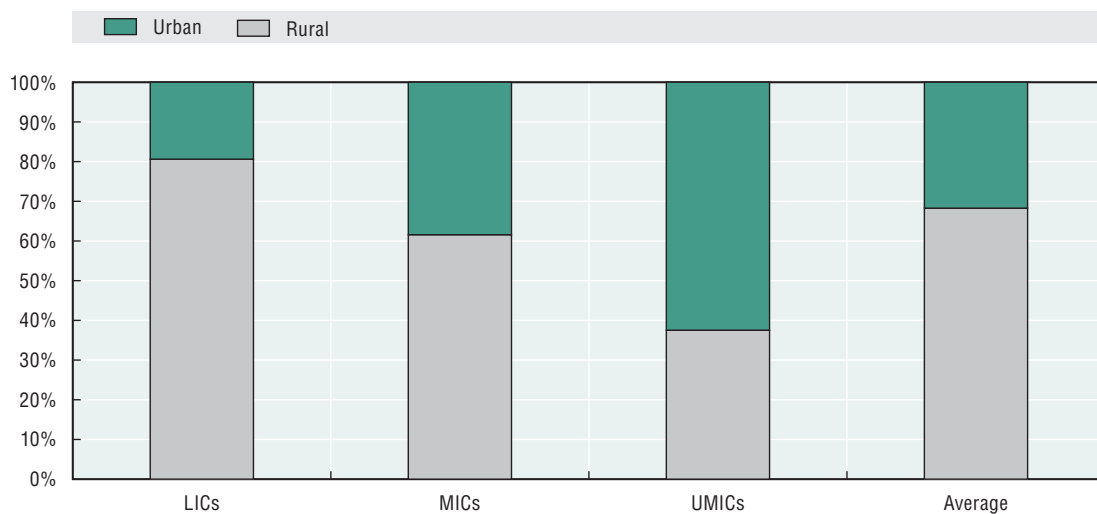
Figure 6.39. Education levels among 15-24 year old Africans



Source: Authors' calculations based on Gallup World Poll (2008-10).

StatLink <http://dx.doi.org/10.1787/888932601001>

Figure 6.40. African youth in urban and rural areas by country income



Source: Authors' calculations based on Gallup World Poll (2008-10).

StatLink <http://dx.doi.org/10.1787/888932601020>



Annex II: Multivariate analysis of determinants of employment status

This annex explains the multivariate analysis with Gallup World Poll data that underlies the analysis of determinants of employment states among young people referred to in the sections on the unemployed and on education of this chapter

The Model

$$\Pr(y = \text{outcome } i) = \begin{cases} \frac{1}{1 + \sum_{i=2}^m e^{X_j' \beta_j^{(\text{outcome } i)}}}; & \text{if outcome } k = \text{base outcome} \\ \frac{e^{X_j' \beta_j^{(\text{outcome } k)}}}{1 + \sum_{i=2}^m e^{X_j' \beta_j^{(\text{outcome } i)}}}; & \text{if outcome } k = 2, \dots, m \end{cases}$$

The objective is to estimate the effects of each explanatory variable (X_j) on the probability to be in one of the 3 categories of employment status (y): NEET, vulnerable employment or wage employment. As the dependent variable (y) takes on more than two categories and those categories have no natural ordering, we use a Multi-logit model and robust estimators to control for heteroscedasticity. The probability of an outcome of the dependent variable is then:

Where the vector X of explanatory variables are:

- Age groups** - age15-24 (*reference group*), age[25-29], age[30-34], age[35-39], age[40-44], age[45-49], age[50-64].
- Female dummy** - female 1, male 0
- Marital dummy** - married 1, Never married 0
- Education levels** - no education (*reference group*), [1-8years primary], [9years to full secondary], [1year or more Tertiary]
- Urban dummy** - urban 1: rural 0
- Country income groups** - low income countries (*reference group*), Low middle income countries [LMIC], Upper middle income countries [UMIC]
- Food insecurity dummy** - food insecure 1, food secure 0



Determinants of employment status

Table A1 shows odds ratios which are easier to interpret than pure probabilities. Odds ratios measure the likelihood of being in the corresponding outcome of the dependent variable relatively to being in the base outcome of the dependent variable. In this case the base outcome is NEET. Coefficient values greater than one reflect a higher relative probability to be in the corresponding case than in the reference case and vice versa for values smaller than one. For example, the relative probability of $y = WageEmployed$ to the base outcome (NEET) is:

$$\frac{\Pr(y = WageEmployed)}{\Pr(y = NEET)} = e^{x_j' \beta_j^{(WageEmp.)}}$$

Table A.1. Multinomial logistic regression of the determinants of employment status.
The reported coefficients are the relative risk ratios (odd ratios) - (base outcome= NEET)

VARIABLES	Being Wage employed (1)	Being Vulnerable worker (2)
age15-24 (= reference group)		
age[25-29]	1.607*** (0.143)	1.315*** (0.083)
age[30-34]	1.969*** (0.192)	1.405*** (0.100)
age[35-39]	1.752*** (0.188)	1.590*** (0.124)
age[40-44]	1.706*** (0.205)	1.595*** (0.135)
age[45-49]	1.952*** (0.253)	1.835*** (0.168)
age[50-64]	0.876 (0.108)	0.976 (0.073)
female (vs reference = male)	0.343*** (0.020)	0.472*** (0.020)
Education levels (reference group = No EDU)		
EDU [1-8years primary]	2.732*** (0.275)	1.530*** (0.080)
EDU [9years to full secondary]	5.841*** (0.562)	1.380*** (0.077)
EDU [1year or more Tertiary]	17.052*** (1.972)	1.797*** (0.163)
Urban (vs reference = rural)	0.853** (0.057)	0.663*** (0.035)
Country income groups (reference = LIC)		
Country group (= LMIC)	1.078 (0.080)	0.754*** (0.041)
Country group (= UMIC)	0.732*** (0.059)	0.185*** (0.014)
food insecure (vs reference = no)	0.571*** (0.036)	0.922* (0.039)
Married and divorced (vs reference=Single)	1.211*** (0.086)	1.190*** (0.061)
Constant (_const)	0.181*** (0.020)	1.864*** (0.118)
Regression statistics		
Number of Observations =	13342	
Log pseudolikelihood =	-11886	
Wald chi2 (30) =	2493	
Prob > chi2 =	0.0000	
Pseudo R-squared =	0.114	

Source: Authors' calculations based on Gallup World Poll (2010).

Note: Robust standard errors in parentheses. Significance: *** p<0.01, ** p<0.05, * p<0.1.



The impact of education on the probability to be wage employed

Table A2 shows the predicted probabilities to be in wage employment given educational attainment for young men and young women, also shown in figure 31 of the chapter. The results are based on the model described above, controlling for all factors contained in the vector of explanatory variables X.

**Table A.2. Returns to education.
The marginal probability of wage employment at each level of education**

	Male	Female
EDU [No Edu.]	0.063	0.035
EDU [1-8years primary]	0.129	0.077
EDU [9years to full secondary]	0.287	0.178
EDU [1year or more Tertiary]	0.509	0.373

Source: Authors' calculations based on Gallup World Poll (2010).