



# Job Creation in Africa

What we know...

February 2020

# What questions will be answered?

- The state of job creation in Africa
- Structural barriers to decent job creation
- What strategies work in practice to create decent jobs for young people?
- Where will African youth find jobs from now till 2030?
- What is the changing nature of work?
- How can Africa create decent employment? Policy imperatives for Africa

# Africa is the most youthful continent in the world today

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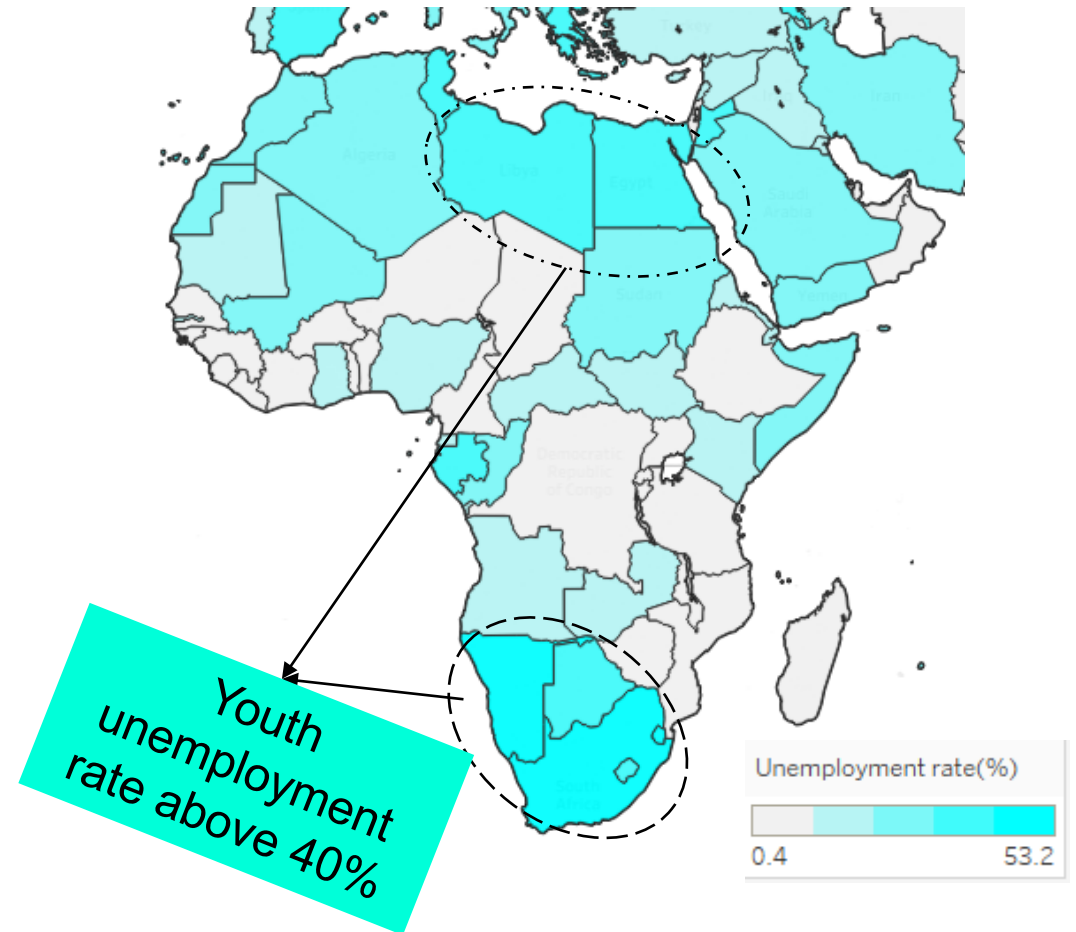
- While most other continents are aging, Africa is getting younger
- Around 230 million young people will enter its workforce between now and 2030
- if strategic policy interventions are prioritized, African economies will reap the USD \$500 billion/year benefits in GDP growth offered by the demographic dividend
- Else, the continent's problem could multiply



# Yet, young Africans face significant unemployment challenges

- Africa's economic growth in the past 2 decades did not create enough jobs
- Of the 10-12 million young people entering the workforce, only about 3 million gets a job
- Five countries, including South Africa faces youth unemployment above 40%
- Urban youth are disproportionately affected by joblessness

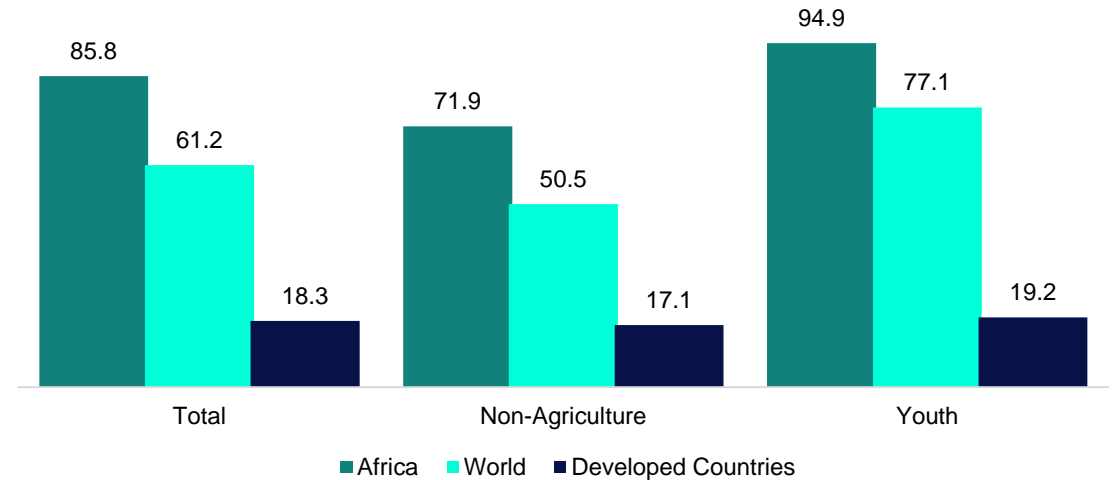
Unemployment rates across Africa (ILO, 2018)



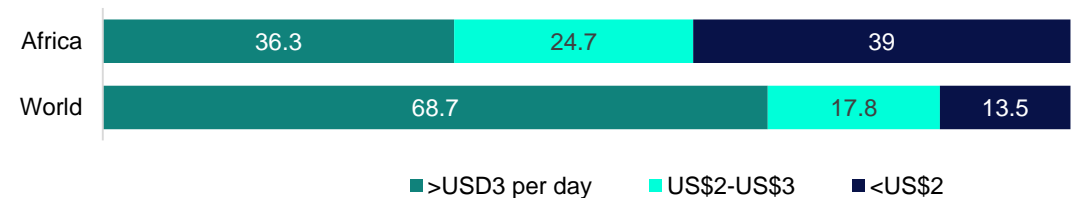
# But the real problem is that fewer decent jobs exist across the continent

- More than 85% of African workers are in the informal sector, whether in agriculture or informal manufacturing and services.
- Women and youth are disproportionately represented in informal employment.
- Lack of social safety net and shortage of formal wage jobs in Africa means that young people must take-up low-paying informal jobs.
- Meaning they have no job security, lack employee benefits and are mostly less productive.
- This is also reflected in the high poverty incidence among working youth. 2 out of every 3 working Africans earn below US\$3 a day.

Share of informal employment (ILO, 2018)

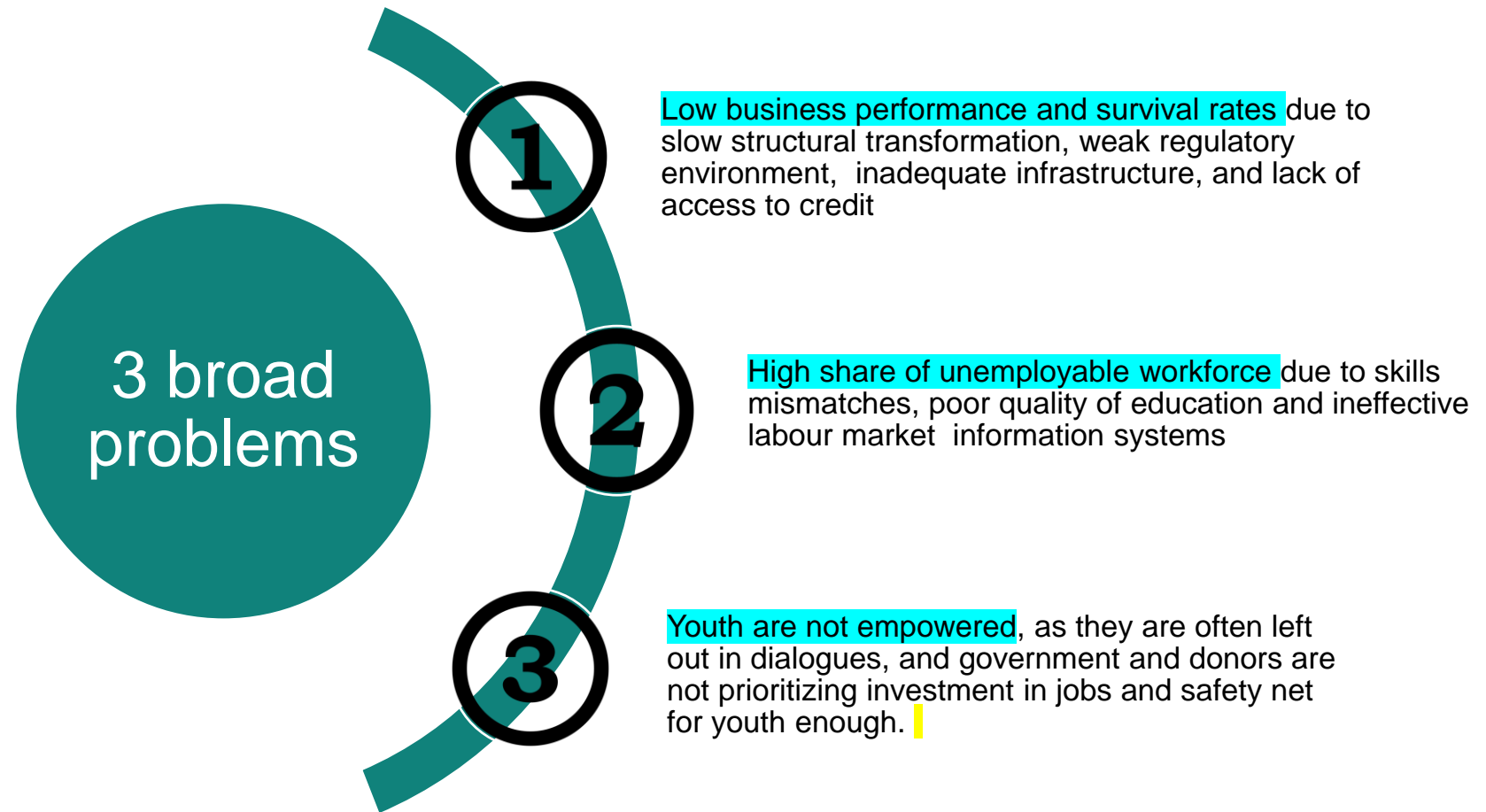


Earnings per day for employed youth aged 15-24 (ILO, 2018)



The main challenge for Africa is to create more decent jobs in the formal sector and /or improve the quality of jobs in the informal sector.

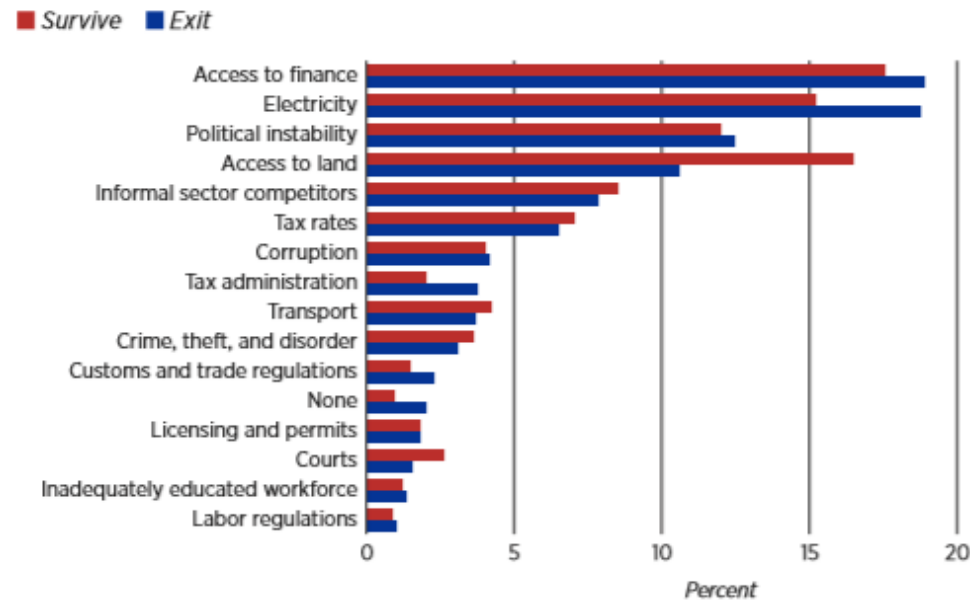
# Why are there fewer decent jobs on the continent?



Most of the key obstacles to employment are not necessarily youth-specific and seem to generally constraint job creation throughout the region

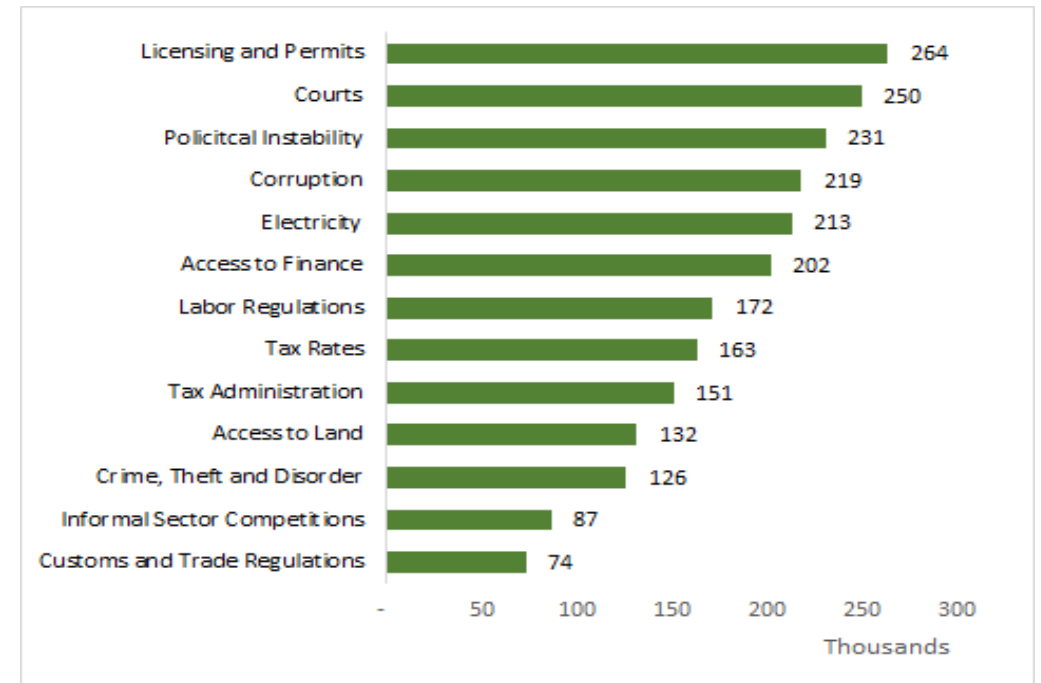
# New and existing African firms face immense obstacles

Access to finance, electricity and political instability are the biggest obstacles to business growth (AfDB, 2019)



Source: Authors' calculations using World Bank Enterprise Survey data.

Weak political and regulatory environment are the major drivers of job loss (AEO, 2019)



*“At least 2.3 million jobs are lost annually due to factors constraining businesses. Africa could boost new job creation and save many existing high-quality jobs by removing key business obstacles”*

# What policies works for creating decent Jobs in Africa?

- Limited evidence exists on what works for job creation on the continent, as only a few government and donor programs have been rigorously evaluated.
- Most findings are often specific to their contexts to permit generalizations, meaning that policymakers should carefully design and implement job creation strategies.
- The effectiveness of government policies targeted at employment promotion have produced mixed results.
  - For example, Uganda's technical and vocational training program increased both non-farm employment and earnings relative to the control group, but the Kenya and Malawi programs had no effect.
  - The most effective entrepreneurship training combines core business administration skills such as accounting with softer entrepreneurial skills such as problem-solving.



# Examples of practical ways to promote job creation (1/2)

## 1 Access to Credit

*Kiva: an online crowd-source funding program serves borrowers in 80 countries. It has advanced over \$1.4bn in loans to 3.5M borrowers, supplied by 1.9m lenders who benefit from a **96.7% repayment rate since 2005.***

***SPARK:** has funded 1,561 start-ups since 2015, particularly in post-conflict fragile states, that have jointly created almost 6,000 jobs, and achieved 94% survival rate through careful training, low-interest loans, mentorship and sensitive business incubation of each start-up.*

## 2 Prioritization of Job creation

**MasterCard Foundation** (MCF) is working with various stakeholders in seven countries, including Rwanda, to boost job creation. Since 2018, MCF and its partners have trained, certified and linked more than 2,500 young Rwandans to dignified and fulfilling work in the tourism and hospitality sector.

## 3 Regulatory Framework

In Rwanda, streamlining the procedures needed to open a business dramatically increased the number of new companies, from only 700 a year before the reform to 3,000 a year today.

In 2016, [Kenya](#) enacted a law requiring 30% of all government tenders be allocated to youth, women, and people with disabilities

## 4 Entrepreneurship Education

***Teach a Man to Fish:** Currently operating in Uganda, Rwanda, and Tanzania, TMF developed the concept of the 'Self-financing School' – schools that run actual businesses, both to give students real-world work experience in running a business and to pay the teachers.*

***The UK is** conducting experiments like the Studio Schools initiative whilst the governments of Germany, Austria and Switzerland have kept youth unemployment low with a nationwide dual system of school plus apprenticeship schemes*

# Examples of practical ways to promote job creation (1/2)

## 5 Infrastructure

### **Ethiopia Special Economic Zones (SEZs)**

Hawassa Industrial Park of the Ethiopian Industrial Parks Development Corporation (IPDC) is a good example of how to do SEZs well.

## 6 Youth leadership

International Youth Foundation's Youth ActionNet (IYF) continues to expand its support to young social entrepreneurs who have pioneered innovative solutions to urgent global challenges. Over 1,300 YouthActionNet Fellows have graduated from 90 countries.

## 7 Digital Divide

**Internet.org provides affordable internet access to two-thirds of the World.**

**Computer Aid facilitates IT education and provides computers in developing countries in an effective green way. It has already impacted more than 800,000 people across 32 countries**

Kenya Government established Konza Technology City) to scale up ICT skills training and development

# The future of jobs in Africa

Implications and policy imperatives

# 5 important questions for designing appropriate strategies for job creation?

- Where will young people be living?
- Which sectors have the strong potential to absorb the youth bulge?
- What are the changing nature of work?
- What are the aspirations of young people?
- What should be the priorities for government and donors to ensure the creation of decent jobs?

# Where will young people be living ?

- Despite Africa's urbanization rate, most Africans live in rural areas.
- **Nearly 70% of the 15–24-year-olds live in rural areas**, and this number is much higher in low-income countries (80%) and lower-middle-income countries (60%), than in upper-middle-income countries (40%).
- Although youth are more likely than older people to migrate from rural to urban areas in search of a job, most young workers currently work in rural areas.
- In the coming years, while the proportion of rural youth among the total population will decline, the absolute number of rural youth is projected to continue to increase.
- Therefore, **the majority of the 440 million youth who will enter the workforce in Africa by 2030 will be rural.**

# What is the changing nature of work ?

- **The informal sector has been the major driver of employment and will continue to do so in the foreseeable future**
- **Digital technology would significantly affect the nature of work and could offer progressive ways for formalizing business**
  - For example, the e-commerce platform [Jumia](#) employs around 3,000 people across Africa but has signed up 100,000 commission-based affiliates who help customers make orders through the platform.
- **Yet, most African workers have limited digital/IT skills**
  - **To enable the adoption of new tech, policymakers must invest in digital infrastructure and upskilling of low-skilled workers**

# Which sectors have the highest potential to absorb Africa's youth bulge?



## Agriculture & food system

- Reflecting rising incomes, urbanization and food consumption
- Has socially more inclusive linkages with other sectors
- It also includes high-value horticulture & biofuels



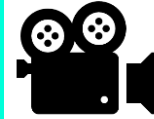
## Business process outsourcing

- Impact sourcing-allowing a skilled workforce to serve worldwide customers
- Between 1998 and 2015, services exports grew 6 times faster than merchandise exports



## Transport & Tourism

- Supply chains development and rising intra-African trade
- Tourism is projected to employ 22.4 million people by 2027



## Creative Industry

- Labour-intensive creative industries, including music, films, and fashion
- The industry will build on the uniqueness and diversity of African culture

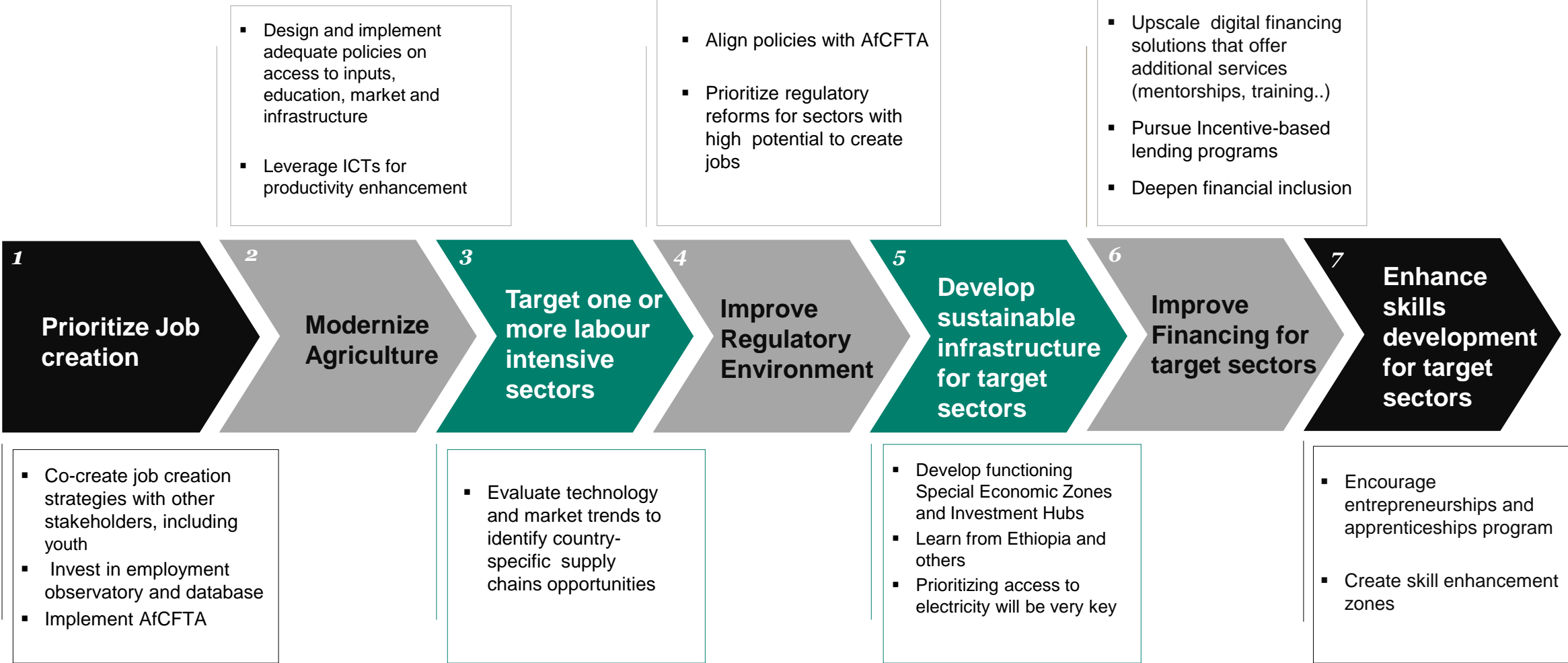


## ICT based services

- New business models emerging from improved connectivity and automation technology
- Kenya, Rwanda, Senegal, and South Africa have vibrant ICT-based services sector

*Although employment opportunities will vary by country, most Africans are expected to find jobs in agribusinesses, tradable services, tourism, transport, and ICT-based services.*

# Key policy imperatives for job creation in Africa





# How can donors do to help advance Job creation in Africa?

- Join the movement: co-create job creation strategies with broad stakeholders (Private sector, youth leaders and government)
- Improve reporting on employment impact of projects
- Target investment in projects that enhances the creation of quality jobs for youth
- Pressure African governments to prioritize the creation quality jobs

**Your turn!**

**From your experience, how can Africa  
create 230 million jobs by 2030?**

**ONE**