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What will it take to meet the Youth Employment Challenge in Sub-Saharan Africa?

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ABSTRACT

What will it take to meet the Youth Employment Challenge in Sub-Saharan Africa?

African demographics, economic structure, politics and globalization trends combine into a perfect storm for Africa's policy makers. The large cohort of youth entering Africa's labor force is the best educated one the continent has seen, and Africa is witnessing its best growth performance in decades; yet jobs remain elusive in the formal wage sector. This is largely because African economies have failed to transform structurally from low productivity agriculture to higher productivity non-agricultural sectors and this, together with high fertility, has resulted in the structure of employment not changing much over time. The trends driving the employment challenge are not expected to change much over the next 20 years; informal sector is and will remain a major employer of youth, particularly the less skilled and less educated. A shift in policy thinking across Africa. It is imperative that policy makers make concerted efforts to raise productivity (and thus earnings) in the informal sector through targeted infrastructure and financial inclusion policies, rather than focusing exclusively on the formal wage sector. Programs need to stop training youth for jobs which do not exist and are unlikely to exist in the future, and instead help youth develop the business and financial skills and networks to establish themselves in the informal sector, both while they are in school and after they leave. This includes reorienting youth's own expectations toward how to make their own livelihood from the opportunities which exist.

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youth, employment, Sub-Saharan Africa, informal sector, structural transformation, demography

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As the world's youngest and poorest region, Sub-Saharan Africa (SSA, or simply Africa) faces a major jobs challenge. Half of the population is under 25, and every year 11 million people enter the labor force — mostly youth looking for work. After more than a decade of rapid growth and expansion of educational opportunities, youth have high aspirations and expectations, and African policy makers are concerned about how to meet them. Jobs are at the top of the development agenda.

Most African governments are unprepared to meet this challenge. Many countries lack a basic understanding of their labor market and youth employment prospects. This leads to a focus by governments and researchers on a narrow sector of the employment where data are more widely available – formal wage employment. Yet this sector is not where most youth will end up. The sector where most Africans work today – agriculture – is often completely left out of the picture. Recent examples of this are AfDB study on youth employment, (AFDB and OECD, 2012), and the McKinsey study on employment and inclusive growth (Fine et al. 2012). Despite rapid urbanization in capital cities, the vast majority of Africa's young people live in rural areas and towns. Rather than developing expensive enclave youth projects in capital cities, countries need national strategies focusing on all youth and all employment segments — family farming, household enterprises in rural and urban areas, and wage jobs created in labor-intensive private sector firms.

This paper strives to provide context for country youth employment strategy development and project selection through a review of the development economics of the youth employment problem in the low and lower middle income countries of SSA. We analyze the broader economic development trends in the last decade or so, and what they mean for efforts to develop country-specific strategies and programs. We argue that the heart of the youth employment problem lies with SSA's economic development model. The sluggish demographic transition – which why so many youth are flooding the labor market - combined with slow development of a modern, export - oriented enterprise sector, has resulted in a large gap between the aspirations of youth (and their parents) and the economic opportunities available. Compounding this is a neglect by governments of the sector of employment growing most rapidly – nonfarm self- employment in rural and urban areas.

While supply-side issues such as the quality of education youth receive before entering the labor force clearly matter for the prospects of youth and the broader economy and society, we argue that the typical supply-side youth projects are unlikely to bridge the aspirations gap or help youth make an efficient transition to a stable livelihood. The African landscape is littered with pilots and small scale training programs targeted at youth which have not scaled up, as well as government programs with little evidence on effectiveness at all, much less on cost-effectiveness.

This paper argues that the youth employment problem in SSA is different than that in more developed regions. It can best be addressed through comprehensive development strategies, which focus on increasing opportunities and productivity in all types of employment and in all

parts of the private sector. When targeted youth programs are introduced, they should focus on broader labor force-readiness skills rather than narrow technical skills, in order to enhance youth's ability to seize these opportunities. Special attention will need to be paid to enhancing the life skills of SSA's adolescent females.

This paper is organized as follows. The next section discusses the specific demographics of lower income SSA, and how it affects economic opportunities. Section 3 discusses the recent growth and output transformation process, and how that has affected economic opportunities for youth. Section 4 discusses the current and expected job prospects for African youth. Section 5 discusses what types of interventions Africa's youth need in this economic environment, and contrasts this with what is currently on offer. Section 6 offers some conclusions.

2. The demographic dimension

Sub-Saharan Africa is the youngest region in the world. Owing to high fertility (and to some extent declining mortality), it is getting younger by the day. Today, fully half of Africa's population is under age 18 and those in the age group 15-25 make up almost 30% of the population. Because SSA's fertility is declining very slowly in most low and lower middle income countries, this youth trend is expected to continue for decades. Indeed, recent data documented a stalled demographic transition in many countries resulting in an upward revision of UN projections of Africa's total population and youth dependency ratios for 2050 (United Nations, 2015).

Some view Africa's status as the youngest continent in an aging world as an asset. They project a coming demographic dividend for SSA, where a rising share of the population at working age lowers dependency ratios at the household and national level. This allows households to spend less on current consumption and raises private savings and investments in human capital. Governments are also able to save and invest more, which also promotes growth and improvements in welfare (Yazbeck et al., 2015). The demographic dividend is cited as a major factor in East Asia's growth and poverty reduction performance. Some cite the benefits of Africa's demographics as leading SSA to be the world's future workforce, predicting large scale outsourcing to Africa (World Bank, 2015).

Current populations projections suggest that a demographic dividend is unlikely to be realized soon however, as fertility rates are falling much too slowly. Countries are not expected to even begin to realize a dividend until fertility rates fall below four children per female; most SSA low and lower middle income countries are not near this benchmark. The average for all low and lower middle income SSA in 2013 was 5.1 children per female; only a few countries in Southern Africa and Ghana in West Africa are below 4. Widely shared traditions in the region regarding early marriage of females and the subsequent early start to childbirth and resulting large families

are likely to keep the fertility rates high, as these norms tend to change slowly.[1] Even when countries reach the benchmark of four children per female, if fertility rates continue to fall slowly, the dividend will be realized in pennies at a time, rather than in a major boost to growth. While Africa is certainly a potential source of labor for the world, resistance in aging economies to migration from SSA suggests that for the foreseeable future, Africa's growing labor force will continue to be Africa's problem to solve.

Economists used to consider a growing labor force as a source of economic growth – more people can produce more output. Along with new research on the demographic dividend, a more nuanced view has emerged, as the resources required to get this workforce ready for productive employment are considered. Simply producing the number of teachers and supplies and classrooms needed to meet the education demands created by an exponentially growing number of children will be difficult. High fertility lowers private savings, meaning that resources for investment will be scarce (World Bank, 2015). As we see below, SSA's rapidly growing large labor force hinders the structural transformation of employment which is needed to realize the dividend. It is not surprising that few countries have reached middle income status with the fertility levels seen in SSA today. The exceptions are mineral exporters, riding on resource rents, an economic strategy which is difficult to sustain in the long term (and in SSA, brings exceptional youth employment challenges, as we show below).

A key question is whether Africa's fertility decline can be accelerated. A number of countries are belatedly adopting policies toward this goal (Yazbeck et al., 2015). In the meantime, the challenge for economic policy is try to make Africa's youth labor force a benefit, by harnessing youth's assets – including their higher level of education than their parents, and their openness to new technologies and approaches – to increase labor productivity and raise living standards. This leads to the jobs agenda. But policy is not only about "creating jobs". Youth not only need jobs, they create them, and policy needs to be about enabling this. Effective strategy development will require a clearer understanding of how to benefit from this asset. It will require a clear-eyed look at the economic forces shaping their opportunities. It will also require a more disciplined, efficient and evidence-based approach to interventions to support youth in the transition to a stable livelihood, as part of a transition to adulthood.

3. Growth, Transformation and Jobs in SSA

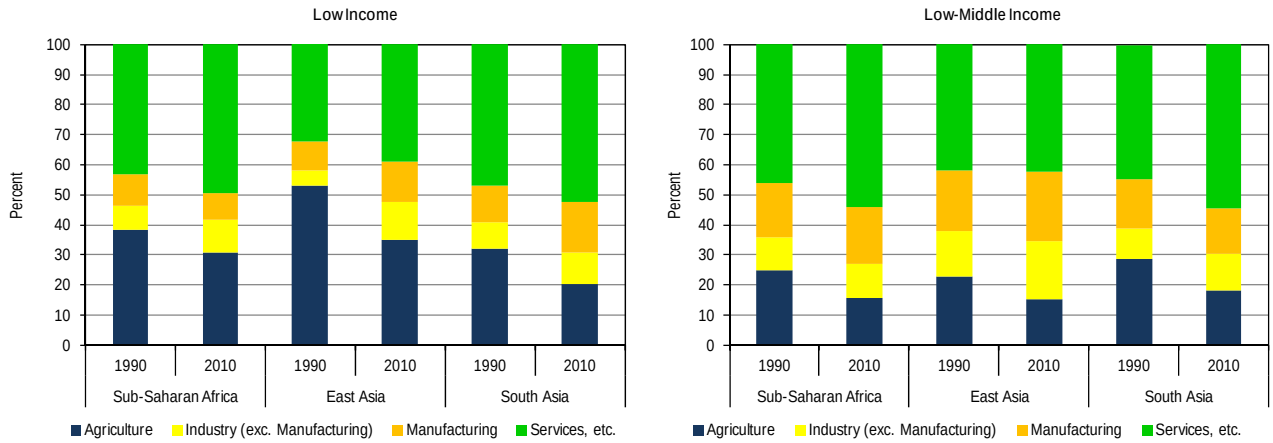
Economic transformation is defined as the movement of resources (factors of production) to high-productivity activities, both within and between sectors.[2] It encompasses both the process of structural change (movement of resources between sectors) and within-sector labor productivity

[1] According to World Development Indicators, 2015, the average SSA gap between male and female desired family size is the highest in the world, as is the rate of teen pregnancy. These two trends lead to large families, as young females are less able to resist the demand of their husbands for more children.
[2] See McMillan, Page and te Velde (2015) for a discussion of this definition and its importance to growth and development.

improvements. Economic transformation is essential for improving the quality of growth so that it is broad-based, resilient against shocks, and brings about opportunities for further growth. Growth based on the extensive margin – simply more production with the same technology and inputs – usually does not last, as it will not increase labor earnings per worker. Poverty in low-income countries happens primarily when people are able to 'work their way out of poverty' through higher earnings (Filmer and Fox, 2014; Fields). Economic transformation means more production in enterprises, and less production in households. Research has found that urbanization usually occurs along with economic transformation, as does the demographic transition discussed above.

Since the mid-1990s, Sub-Saharan Africa has had the longest continuous expansion in over 50 years. Economic growth averaged about 4 percent per annum among upper middle income countries and at about 6 percent per annum among low income SSA countries. These growth rates surpass those of middle and low income Asia over this period. However, even though the growth rate among SSA economies has been very strong, the output structure of the low and lower middle economies has changed only moderately (Fox and Thomas, 2016). Agriculture fell about 8 percentage points as a share of GDP between 1990 and 2010 (to about 23 percent in lower middle income countries and 34 percent in low income countries), with a corresponding rise in the share of services (Figure 1). At the same time the aggregate industry share remained fairly flat and manufacturing only represents about 7 percent of output in low income SSA countries. These trends have often been contrasted with those in low and lower middle income East Asian countries, where the industrial sector made a large contribution to growth, output transformation, and employment transformation. (ACET; 2014; McMillan and Verduzco, 2014). The share of output generated by the agricultural sector fell more sharply in East Asia (and productivity growth was higher than SSA as well) while the share of manufacturing in total output increased. By 2010, the share of industry (usually the highest productivity sector) accounted for a 1/3 higher share of total output in lower middle income East Asian countries than in lower middle income SSA countries. The low manufacturing output share is mirrored by the low share of manufacturing exports in total exports in Sub Saharan Africa. The share of manufacturing goods in the export basket of low and low middle income countries SSA countries is very low. The industrial sector in SSA is less competitive than in Asia, and more dominated by non-tradables such as construction (Fox and Thomas, 2016).

Figure 1. Selected Regions: Development of Sectoral Output Shares

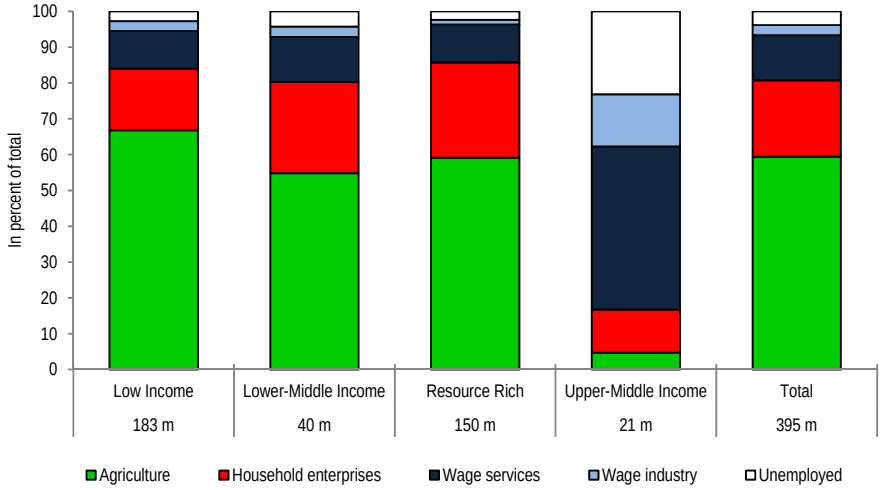


Source: World Bank, World Development Indicators.

The structure of the employment in Africa reflects the structure of output and the demographics (Figure 2).[3] In low and lower middle income countries, the majority of employment is found in agriculture, (either on their own family farm or as wage labor on other farms or both). This is not too surprising as the share of agriculture in GDP is still substantial, and it is well known that the transformation in employment by sector always lags the transformation in output (more capital per worker is needed to employ people in more productive jobs; see Timmer, 2009). The next largest category of employment is household enterprises (HEs), which are unincorporated, nonfarm businesses owned by households. They include self-employed people running businesses that may employ family members without pay but also self-employed people who run a business that employs a small number of nonfamily workers on a casual basis. The vast majority (70 percent) of nonfarm enterprises today are pure self-employment—just the owner operating the HE. About 20 percent of these enterprises include a family member in the operation, and only 10 percent have hired someone outside of the family. Taken together, the analysis shows that about 85 percent of employment in 2010 was in household farms and firms – a segment commonly termed "the informal sector". To the extent that the employment transition consists of moving labor to the wage sector as employment in modern enterprises, by 2010 most countries in SSA had not made much progress here.

[3] See Fox and Thomas, (2016) for an elaboration of the country classifications and methodologies used in developing the regional employment estimates.

Figure 2: Estimated structure of employment in Africa by country type, 2010



Source: Fox, Thomas, 2016.

Note: On horizontal axis, numbers show size of labor force in each group. Country classification is described in Fox and Thomas, 2016

The smallest sector is the nonfarm wage employment sector. Similar to the output transformation, of the roughly 15 percent of employment in the wage sector, most was found in the services sector in 2010. This category includes both "formal" wage employment (where the employee has a contract and may be entitled to social protection), and "informal" or casual wage employment. These two types of wage employment are grouped together because most data sets do not allow a consistent disaggregation of wage employment to this level. However, using a subset of countries, it is estimated that in the LICs and LMICs, about half of all nonfarm wage employment was in noncontract jobs (Filmer and Fox, 2014).

We also estimate that in all countries except the resource rich ones, the private sector created most of the wage jobs found in Africa today. In most SSA countries, the public sector dominated wage employment in the 60s and 70s. This reversal – including the shedding of many public sector jobs in the 1990s –helps explain the low share of wage employment in the economy in SSA. Despite the fact that wage employment grew faster than GDP in many countries since the mid-1990s, it started from such a low base that it was hard to catch up to the other sectors, given the rapid growth of the labor force (Fox and Sohnesen, 2012; Fox and Gaal, 2008). In resource rich countries there has not been a reversal. Growth was dominated by commodity exports, and the state distributed part of the resource rents in the form of public sector jobs. The incentives for the private sector to create employment remained weak, so the public sector still provided the majority of the wage employment in these countries.

How does SSA employment pattern compare to other regions? Above, we contrasted the output transformation in SSA with the one happening in East and South Asia, and found large differences, especially with East Asia. The employment transformation shows similar gaps, especially in the LMICs. Table 1 shows similar employment data as in Figure 2 above for a selection of transforming comparator countries.

Among low income countries, the differences are not very stark. The share of the labor force in agriculture is not unusually high in SSA. Vietnam and Laos, countries with a per capita income just above US$ 1,000, still have 50 percent or more of their labor force in agriculture. SSA low income countries are substantially poorer than this, on average, so the share of employment in agriculture is expected to be higher. The share of employment in HEs is actually smaller in SSA than in the comparator countries, again reflecting lower income in SSA.

In the LMICs, the differences become more obvious. It is clear that in SSA LMI countries labor is stuck is agriculture despite the sector's decline as a share of GDP. The ratio of the employment share to the GDP share for agriculture in LI SSA was 2.3 in 2010, while it was 2.4 in Bangladesh for the same year. But for LMI SSA, the same ratio was 3.4, much higher than in the comparator countries. Agricultural productivity is higher in the Asian countries as well, which has helped to reduce rural poverty to well below SSA levels (IMF, 2012). Labor is also more concentrated in the HE sector in LMI SSA.

Table 1: African countries have less wage employment than high-growth comparator countries

Income level	Region/ country	Structure of employment					
		Wage			HE	Agriculture	*Total*
		All	Industry	Services			
Low income	Sub-Saharan Africa	12.2	*2.3*	*10.0*	18.3	69.4	100.0
	Bangladesh	25.7	*10.8*	*14.9*	27.7	46.6	100.0
	Cambodia	23.3	*11.1*	*12.2*	21.0	55.7	100.0
Low-middle income	Sub-Saharan Africa	13.9	*2.0*	*11.9*	31.1	55.1	100.0
	Lao PDR	13.5	*5.4*	*8.1*	19.0	67.5	100.0
	Vietnam	31.8	*14.3*	*17.5*	19.1	49.1	100.0
	Nicaragua	43.9	*13.3*	*30.6*	22.9	33.2	100.0
	Philippines	48.7	*12.6*	*36.1*	19.5	31.8	100.0
	Bolivia	43.0	*12.6*	*30.4*	28.1	28.9	100.0
	Mongolia	39.3	*5.9*	*33.4*	16.0	44.7	100.0

Source: Author's calculations. *Note* : SSA country averages include the resource rich ones

The low share of the labor force working in *private industry* is what makes the employment structure so different in low and lower-middle-income countries of Africa compared to the rapidly growing countries of Asia or Latin America (Table 1). The manufacturing sector in E. Asia was a wage jobs creator, accelerating the employment transformation in these countries. All the comparator countries except Mongolia and Laos have a larger share of employment in industrial wage jobs, because they have a high number of manufacturing jobs. Clearly the importance of mineral rents in raising the per capita incomes of SSA lower middle income countries contributes to this discrepancy. As noted above, resource rich countries in SSA have not created much private wage employment at all. Mongolia and Laos, mineral exporters in E. Asia, have economic structures more similar to SSA countries. Resource extraction does not create many jobs, and high resource rents can create an economic structure unfriendly to private sector, labor-intensive industry (Gelb, 2010). But even here, Africa's high mineral-exporting countries stand out, as they have even less wage employment in industry than Laos or Mongolia. Resources are not destiny, however, as Bolivia's successful performance in export-oriented manufacturing shows.

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

In sum, by 2010, the output transformation in SSA appeared to be on its way, but moving toward services, not toward industry. Analysis of the employment transformation reveals that just looking at the output transformation by sector in SSA is deceptive. A large share of the growth in nonfarm employment was in household enterprises, not in the modern industrial and service enterprises that are expected during structural transformation. This meant that the output transformation generated fewer wage jobs as a share of new jobs than might have been expected from such growth. And within the nonwage sector, the majority of Africa's labor force still worked in its least productive sector—agriculture—which had yet to experience the substantial productivity growth seen in rapidly growing economies outside Africa.

The drivers of the SSA employment trend - both the structure of growth and the lack of demographic transition – are not likely to change over a reasonable planning horizon. The slow change in demographics complicates the employment transformation for decades, because even with non-agricultural modern private sector enterprise output growth as rapid as occurred in the last 20 years in East Asia, a similar employment transition would not occur. The enterprises would not be able to absorb the same share of the labor force because the labor force would be just too big. In addition, the higher dependency level can be expected to result in lower private savings,

reducing capital available for investment in the modern sector. So although the growth experience has been very strong in many SSA countries over the past decade and a half, the LICs and LMICs still face the dual challenge of increasing productivity in agriculture and diversifying employment in the non-agricultural sector into modern enterprises, even as the population has been getting younger and the labor force is growing rapidly. These are Africa's structural transformation challenges today, and they must be met if the employment challenge is to be addressed.

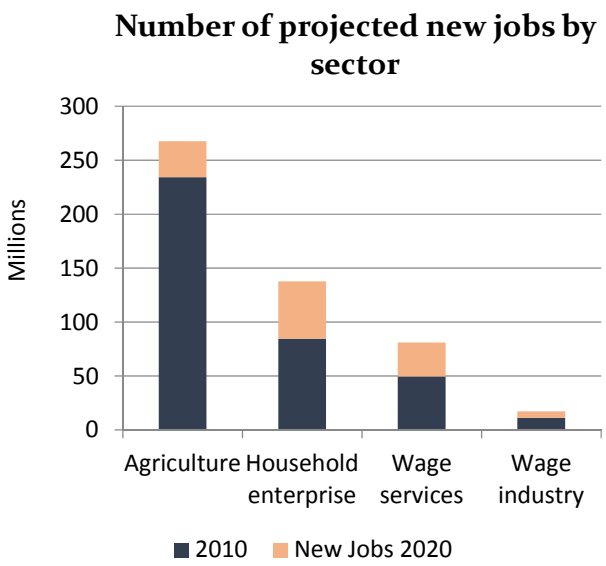
4. African Youth's Job Prospects

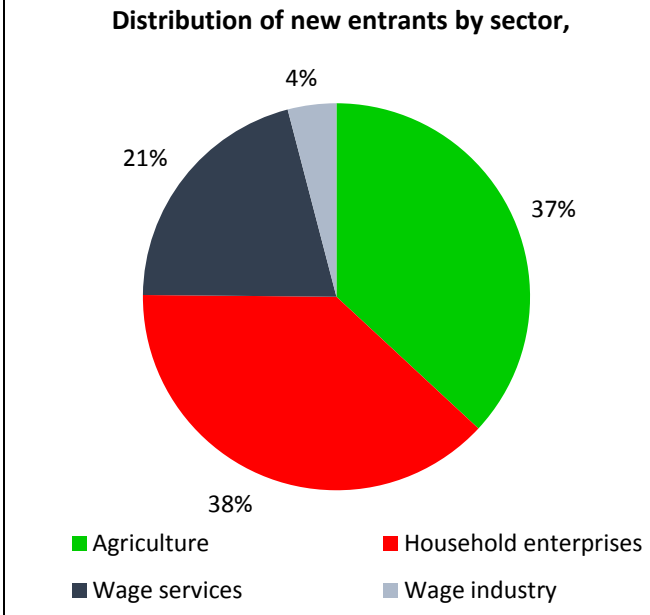
National employment policy needs to be grounded in an analysis of where future jobs are likely to be. For low and middle income Africa, economic and demographic trends suggest that future jobs are not likely to be where most pf the focus of public policy and project interventions has been – on the wage employment sector. Projections based on continued strong investment and economic growth and modest economic transformation in non-resource rich economies suggest that at best, about ¼ of the new jobs created over the next ten years will be in the nonfarm wage sector.[4] The rest will be in agriculture and services (Figure 3) . UN population projections show that the rural population is expected to increase through 2050. It is reasonable to expect that the agriculture sector will have to absorb a significant fraction of youth coming onto the labor market for the next 20 years. Thus, total employment in this sector is not expected to shrink even as the share drops gradually. The remaining jobs will be found in the household enterprise sector, created by urban and rural households in response to the shortage of wage employment. In the medium term, the employment shift will continue to be primarily from agriculture to services – both jobs in enterprises and in HEs.

The projection of a slow employment transformation is not surprising given Africa's demographics. As La Porta and Schleiffer (2014) have pointed out, in most countries the share of informal nonwage employment in total employment only declines when the labor force growth slows. This is because new the human and physical capital requirements per wage job in the (formal) enterprise sector are usually much higher than in the informal sector. This is especially true in manufacturing, where Rodrik (2015) has pointed to the increasing human and physical capital required to produce internationally competitive goods.

[4] See Fox and Thomas, (2016) for a discussion of the employment projections.

Figure 3: Projected Job Creation in Sub-Saharan Africa 20010-2020





Source: Fox and Thomas et al, (2016)

These projections do not mean that African governments should abandon efforts to industrialize. If the industrial sector were to pull in more employment (instead of the service sector) by developing more labor intensive enterprises offering wage employment, a better *quality* employment transformation would certainly happen, and perhaps the share of employment in wage jobs could rise more rapidly after 2025. This is what happened in East Asia in the past 20 years. Industrial sector output growth was driven by an expansion in manufacturing (compared with mining and construction), and there was actually a decline in aggregate industrial sector labor productivity, resulting in a huge number of jobs created.

Africa should be able to raise the share of employment in manufacturing. No low or lower income SSA country has a very high manufacturing employment share; in most countries the share is below 5 percent. According to Rodrik (2015), in a somewhat pessimistic analysis of industrialization prospects, countries industrializing today can expect the share of employment in manufacturing to peak at about 15-18 percent of total employment. While this is lower than the peak share realized by today's developed countries it is about four times the African average. But this would require much higher investment in productive capacity in this sector. SSA demographics will continue to hold down domestic savings, so countries will need to attract substantial foreign investment flows into labor intensive sectors - not the mining sector, where a lot of FDI has gone to date, and which employs very few workers. If this investment does happen, given manufacturing's low level of employment today, even a doubling of total employment in manufacturing – which might take 10 years to achieve - would still not result in a 15 percent employment share given how fast the overall labor force is growing.

In sum, for SSA, high labor force growth means that structural changes in employment can only happen gradually. Raising within-sector productivity in agriculture and services, while trying to create a more labor-intensive industrial sector offers the most promising approach over the medium term. This focus on raising productivity in the informal sector may seem unusual, given the publicity around high unemployment among university graduates and the recent emphasis in employment strategies on creating jobs in the formal manufacturing sector. But university graduates still represent a tiny fraction (about 3–4 percent) of the labor force, come from the richest households, and still have the best job prospects. Creating jobs in the formal sector is important and should be encouraged, but the reality is that even if African countries were able to attract an extraordinary infusion of private investment in very labor-intensive enterprises, this would draw only a small number of workers out of the informal sector in the near future.

If it is more realistic to emphasize the role of the informal sector in employment strategies, does this imply a pessimistic view of Africa's future? On the contrary. Raising the productivity of smallholder farms and household enterprises will enable the formal sector to develop and thrive by developing a larger internal market. A growing HE sector played an important role in early structural transformation in Asia and Latin America, and it is the key to Africa's future as well. It is certainly the key to better jobs for Africa's youth.

5. Strategies for Youth Employment

The above analysis suggests that although the current generation of youth entering the labor force have the highest level of education ever seen in the region, they will still end up working in about the same sectors and types of jobs as their parents, and this trend will continue. While youth can be expected to be in the forefront of the employment transformation, given where SSA starts today and the sheer numbers of projected new entrants to the labor force, the employment transition will be slow. All stakeholders, especially youth and their families, need to recognize this. Most of the new jobs will be in the so-called informal sector – household farms and firms. This means that the starting point for a youth employment strategy is a diagnosis of how to increase opportunities – that is, raise productivity and earnings - in these sectors for everyone working in them. From this point of view, the youth employment challenge is simply a manifestation of the overall employment and inclusive growth challenge in SSA.

Most countries have a strategy *to raise labor productivity in agriculture*. It has been argued that raising agricultural productivity will mean fewer jobs in agriculture. We have argued here that given SSA's demographics this will most likely not be the case, especially in countries where land is available to exploit. However, youth will not want to enter the agricultural sector unless they can make an acceptable living. This means addressing the constraints which have held the sector back. In some countries, such as Ghana and Rwanda, this agenda is well advanced, and poverty is falling rapidly among rural households. More importantly, farms are becoming more commercialized, more productive, and more specialized. Other countries are not able to make this type of progress.

The Alliance for a Green Revolution in Africa (AGRA), recently published a report highlighting the opportunities and challenges of a youth-focused agricultural strategy. Why noting that country contexts vary, the report observes that "the nexus between youth and agriculture has been only partially and insufficiently developed and translated into public policies" (AGRA, 2015 p. 174). The report argued that an integrated youth agricultural strategy should help youth see agriculture as business and themselves as entrepreneurs, taking advantage of new technologies being developed for African agriculture. It also argues that national strategies need to help youth enter the sector by:

- reforming traditional, customary land tenure systems to ensure that youth can get access to arable land;
- improving access to affordable financing, including grant financing for low income youth who do not have savings. Other forms of private sector finance which do not require collateral and benefit all farmers such as contract farming, leasing, and factoring will also benefit youth;
- improving agricultural education and training institutions, including abandoning outdated curricula and developing skills needed by the private sector including entrepreneurship and leadership skills as well as general life skills;
- using youth as change leaders to strengthen ICT use in agriculture; and
- including youth in policy development, and together with youth, support programs to change the perception of youth and their parents regarding opportunities in agriculture in Africa.[5]

Most countries do not have a strategy to *raise the productivity of household enterprises*. Often development plans simply wish them away (Filmer and Fox, 2014). From this point of view, SSA urban policy can be a hindrance to productivity growth and sustainable livelihoods. Many donors and NGOs are working with this sector, with small scale projects providing training, supporting apprenticeships, and providing finance (usually through microcredit schemes or informal savings groups). There are some notable small scale successes which have been identified through rigorous outcome analysis (J-Pal, 2013; Filmer and Fox, 2014). The most successful projects are those designed to facilitate entry into the sector, as this sector tends to expand through households sprouting new businesses, not by growth in existing businesses. This is good news for youth-targeted projects. However, the successful interventions have not reached the scale and sustainability which had been hoped for. One reason is that the projects tend to be complex, with multiple components. But the evaluations have not been able to tell us which components are the most cost-effective, especially for which specific types of youth (e.g. females, rural youth, etc.). What is clear is that:

- projects to support youth *to enter the HE sector* through skills training, using a combination of apprenticeships, very short (1 week) business training, and life skills training (especially important for females) have been effective in certain situation in Africa and other low income countries; but

[5] See AGRA, (2015), chapter 8.

- projects to graduate HEs into small businesses through entrepreneurship training are expensive and do not seem to pay off.[6]

Making youth "employable" in the wage sector is where most public and private donors traditionally placed emphasis (Table 2). Frequently, project design has supported increased vocational training as a key component. The evidence provided here on the economic context for youth employment suggests that not only will these projects not help the majority of youth given the scarcity of wage jobs relative the supply of youth, but they could be a regressive option as well. This is because it is usually the more educated youth from richer families that even have the minimum educational attainment required to access these wage jobs.

Table 2: Distribution of ongoing donor projects to support youth employment in Africa by type of intervention

	Frequency	Percent
SKILLS TRAINING	**366**	**77.5%**
Vocational Training	182	38.6%
On-the-job training/apprenticeships	37	7.8%
Life-skills training/second chance education	291	61.7%
Financial support	22	4.7%
ENTREPRENEURSHIP PROMOTION	**281**	**59.5%**
Training	241	51.1%
Advising (mentoring, business development)	198	41.9%
Providing access to microfinance	152	32.2%
EMPLOYMENT SERVICES	**159**	**33.7%**
Job-search assistance	105	22.2%
Job counseling	87	18.4%
Job placement	95	20.1%
Financial assistance for job search	8	1.7%
Sanctions for not complying with the intervention's rules	16	3.4%
SUBSIDIZED EMPLOYMENT	**32**	**6.8%**
Wage or hiring subsidies to firms to hire youth	8	1.7%
Public works/employment guarantee/voluntary service program	30	6.4%
REFORMS (LABOR MARKET)	6	1.3%
N	472	100.0%

Source: Author's tabulation from the Youth Employment Inventory (http://www.youth-employment-inventory.org)

[6] See Filmer and Fox, (2014); J-PAL, (2013); and Makenzie and Woodruff (2012).

Numerous studies have raised questions about the effectiveness of vocational training to help youth get wage jobs, especially when publicly provided (Almeida et al., 2012). A recent systematic review by Tripney et al. (2013) for the Campbell Collaboration found evidence that public-private vocational training partnerships were effective in Latin America, especially for disadvantaged youth. However, these countries have a much higher share of new employment opportunities in wage employment than is found or will be found in Africa. In addition, while richer Latin American countries can afford the roughly $2000 cost per participant, low income countries will have trouble financing such programs given other competing priorities for youth such as basic education and reproductive health care. Hicks, Kremer and Miguel (2015) found that vouchers to finance vocational training in Western Kenya did increase the number of youth that were able to get wage jobs compared with the control group, but this was a only about 5% of the total treated population so the overall effect was quite small. There was no earnings effect; e.g. no difference between control and treatment groups in average earnings in either the HE or wage employment sector. This suggests that the time spent in these programs by youth and the money spent by the donor was wasted.

Other popular interventions include employment counseling and matching programs to help graduating youth (from secondary or tertiary education) to find a wage job. While the counseling programs may help with social and employability skills – and thus shorten the time it takes youth to transition to stable employment, for the most part they have not been rigorously evaluated. Surprisingly, subsidized internships or short-term employment subsidies for youth do not seem to shift out employer's demand for labor but rather improve the job search strategy of those who benefit (Pasali, 2015).

In a situation such as Africa, where the supply of youth qualified for entry level nonfarm wage jobs exceeds demand by a large amount, it seems that the policy focus should be on increasing demand for labor by encouraging investment in labor intensive enterprises. How to do this, and which policies will be most effective is obviously context specific, and has been the subject of some debate. Recommended "investment climate" policies range from infrastructure investments as well as improved management of existing infrastructure service providers such as ports companies and electricity suppliers to lower taxes and business registration costs (Filmer and Fox, 2014). Meanwhile, in the face of excess supply, it does seem that programs such as public employment services are not the best use of scarce resources.[7]

Any discussion of the youth employment problem in Africa cannot ignore the political and social context. Much of the focus has been on urban, educated youth because they are the most vocal and the most dissatisfied. Indeed, the transition from school to work appears to be excessively

[7] It might be argued that finding ways to lower wages would increase demand for labor. Given the small share of the wage bill in total cost of production, as well as some evidence that current wages reflect the cost of living in Africa cities and therefore can not fall very much, it is not clear that there is scope for policy initiatives on this front (Filmer and Fox, 2014; Gelb et al, 2013). This may be one reason why wage subsidies have not had much success.

long for some young people in urban areas: About 17 percent of 26-year-olds and 10 percent of 34-year-olds are not working (Filmer and Fox, 2014). Interestingly, this pattern does not vary by gender, so lower female labor force participation is an unlikely explanation. What is clear is that the desire for a wage job can lead urban youth to search a long time, without success. In urban Tanzania, young people commonly experienced long periods out of the labor force or in unemployment before entering into stable employment (Bridges, et al., 2013). In longitudinal data, the average age of leaving school was two years less than the average age of entering the labor force, suggesting that even those who did not report entering the labor force as either employed or unemployed (meaning that they were not working and were actively searching for a job) upon exiting the educational system spent a significant period of time idle or doing odd jobs of very short duration. Meanwhile, most of those who reported a significant period of unemployment did not end up getting a wage job. Only 25 percent of those who had left unemployment by 2005 found a wage job; the rest went into the HE sector (family or self-employment). What is surprising is how long it took for youth to figure this out.

In the end, even youth who are able to get a stable wage job are not necessarily happy. Data collected by the ILO in 20 countries on youth who have completed their transition show that African youth are less happy with their situation than in the other countries (Elder et al, 2015). On average, 28 percent of youth in the whole sample who are formally employed reported wanting to change their employment situation. But 75 percent of formally employed youth in Liberia and Malawi, 66 percent of formally employed youth in Uganda, 53 percent of formally employed youth in Zambia, and 44 percent of formally employed youth in Tanzania reported wanting to change their employment situation.[8] This is surprising since only about 10 percent or less of all employed youth in these countries were able to secure such employment, with the exception of Liberia, where 17 percent reported having this employment. Similarly higher levels of dissatisfaction were recorded by youth working in the informal sector (HEs or agriculture).[9]

This gap between youth's aspirations and the reality they face only increases the political pressures faced by SSA's aging political leadership. Ironically, the youngest continent has the oldest leadership. The urban political elite is now more than one generation removed from the SSA youth of today. It is no surprise that this elite struggles to formulate policy and programmatic solutions for youth, most of whom operate in the informal sector, away from the control (and protection) of the state.

[8] In this study, formal employees are those who work in registered firms or the public sector and receive social insurance benefits.

[9] In Liberia and Malawi, the percentage who reported that they wanted to change their employment situation was slightly lower for those who reported informal employment or self-employment in the informal sector. This may reflect a pessimism about their opportunities, or it may be that some youth are happier working for themselves, not an uncommon finding for those who are successful in their informal business.

6. Conclusions

In Africa, youth are rarely unemployed. Instead, they are mostly working in the same sectors and types of jobs as their parents, and this trend will continue. While an increasingly educated youth workforce can be expected to be in the forefront of an employment transformation, given where SSA starts today – in terms of demographic transition and structural transformation - the employment transition will be slow. All stakeholders, especially youth and their families, need to recognize this. Most of the new jobs will be in the so-called informal sector – household farms and firms. This means that the starting point for a youth employment strategy is a diagnosis of how to increase opportunities – that is, raise productivity and earnings - in these sectors for *everyone* working in them. From this point of view, the youth employment challenge is simply a manifestation of the overall employment, economic transformation, and inclusive growth challenge in SSA. *This makes the challenge quite different from the challenge in, for example, OECD countries or even many emerging market economies, where skills mismatches, information problems, and in recent years, demand deficiency, are more common causes of poor labor market outcomes for youth*.

The structural nature of the youth employment problem means that there is limited scope for targeted youth solutions. In particular, high visibility and politically motivated programs such as pre-election "youth jobs in public works" programs are unlikely to make a dent in the problem. Given the shortage of labor demand in the modern wage sector relative to supply of educated labor, programs designed to get youth into wage employment run a high risk of labor displacement, with no overall improvement in social welfare or overall economic opportunities. What is needed are policies and programs that are designed to enhance earning opportunities in established sectors such as agriculture and informal services, as well as in new sectors where youth are in the forefront such as the Nollywood film industry, ICT-enabled trading and communication platforms, and other service sectors.

Youth lack information about what opportunities are and will be available, and may not understand what actions and behaviors would allow them to seize these opportunities. They seek a sustainable livelihood, for themselves and their families, but do not find an attractive and accessible path towards this goal. The gap between their aspirations and their results frustrates them. In countries where educational opportunities have expanded rapidly and secondary school graduation rates are increasing, the gap between aspirations and opportunities is likely to widen. Such information failures have long been recognized, but public policy has rarely been able to address the issue successfully at scale (Filmer and Fox, 2014). Despite the lack of evidence and thorough testing of such approaches, the cost of providing information is low and the potential for impact is high, especially if the problem could be addressed before the expectations are fully formed. This may be an area where civil society can play a role, and it is an area where experiments could be helpful in learning how expectations are formed and modified. One

example of this is *Educate!* a low cost job readiness program in public secondary schools being tested (and evaluated) in several districts in Uganda.[10]

Finally, we have argued that better employment opportunities for youth requires progress on *both* structural transformation of output and demographic transition. This means that successful efforts to prevent early marriage and childbirth, and to widen opportunities for adolescent females would have large social benefits, both by helping to improve adolescent reproductive health and lowering fertility as well as by improving their labor force outcomes over their economically active life. These need to be part of an effective jobs strategy. Experiments are ongoing in the realms of economics, public health, and psychology to test approaches to meeting these needs. This is a priority area for cost-effective and scalable programs and policies, even as it touches on some of the most sensitive areas for individuals, families, communities, and societies.

[10] See J-Pal website for the latest information on the evaluation of this program.

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