

Conference on “What Africa Can Do Now To Accelerate Youth Employment”

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Presentation by Mr Charles Dan

ILO Special Representative on Youth and Social Inclusion

“Setting the ground: what has Africa achieved thus far on youth employment”

According to the Global Employment Trends 2014 published this month by the ILO, almost 202 million people were unemployed in 2013 around the world, an increase of almost 5 million compared with the year before.

If current trends continue, global unemployment is set to worsen further, albeit gradually, reaching more than 215 million jobseekers by 2018. During this period, around 40 million net new jobs would be created every year, which is less than the 42.6 million people that are expected to enter the labour market every year.

Young people continue to be particularly affected by the weak and uneven recovery. It is estimated that some 74.5 million young people - aged 15-24 - were unemployed in 2013; that is almost 1 million more than in the year before. The global youth unemployment rate has reached 13.1 per cent, which is almost three times as high as the adult unemployment rate. Indeed, the youth-to-adult unemployment ratio has reached a historical peak. It is particularly high in the Middle East and North Africa, as well as in parts of Latin America and the Caribbean and Southern Europe.

Although the regional youth unemployment rate in Sub-Saharan Africa is lower than in most other regions, it is significantly higher than the adult unemployment rate. Compared with an adult unemployment rate of 5.9 per cent in 2012, youth are twice as likely to be unemployed, with an estimated youth unemployment rate of 11.8 per cent in 2012.

Today, from Cairo to Cape Town, youth employment is one of the most pressing policy issues in Africa calling for a bold political response and requesting a global methodology.

I. From Cairo ...

Youth unemployment in North African countries remains the highest in the world, reaching more than 29 per cent in 2013. This is more than twice as high as the global average. For example, unemployment among young people has reached around 19 per cent in Morocco, over 22 per cent in Algeria, 25 per cent in Egypt and over 42 per cent in Tunisia. The youth labour force is expected to decline over the coming years, but this will provide only a short-term relief: as of 2020, long-term demographic projections indicate a return of stronger growth of the youth population, making it essential that the region develops a labour market that can utilize the new entrants and benefit from the demographic dividend.

In many North African countries, educational attainment actually increases the risk of joblessness. For instance, the unemployment rates for those with tertiary education are over 22 per cent in Morocco, 14 per cent in Tunisia and over 11 per cent in Algeria. Youth unemployment in the North African region might take longer to recover due to the fact that educated youth may take a longer time to find a job that matches their skills. Some countries in the region, such as Tunisia, are characterized by over-qualified young people accepting relatively low wages and engaging in insecure jobs. In contrast, training systems in other countries, such as Egypt, struggle to deliver graduates with the necessary skills for finding productive jobs. Given these trends, many young people in the region are both over-qualified and under-qualified for available positions compared to countries in other regions at similar levels of development. According to the World Bank's Enterprise Surveys, labour skill levels are recognized to be one of the key constraints in Egypt (31 per cent).

Skills mismatches in most North African countries are worsened because the education systems are characterized by significant inequalities. Students coming from a disadvantaged background have less chance of completing their primary education.

The unequal distribution and - on average - inadequate quality of education reduce the returns that many people receive from their education and prevents the region from benefiting from the large overall investment they make in education. At the same time, the fact that only few possess the skills actually required by local businesses creates substantial wage premiums, such as may be earned, for instance, by returning migrants in Egypt, who are often perceived as being more adequately educated (Özden and Schiff, 2007). As a result, the private sector faces both supply and price constraints in hiring the workforce needed to expand and successfully compete at the international level.

Women face particular challenges in the labour market in the North African region. Female unemployment rates are high and the gender unemployment gap is large. Female labour market participation rates are lower than in any other region, reaching barely 25 per cent in North Africa. Nevertheless, an increasing share of the female population has now attained tertiary level education, but so far they remain underutilized. Taken together, high unemployment and low participation rates leave a large employment gap and a huge catch-up potential should more women decide to enter the labour market.

II. To Cape Town

In Sub-Saharan Africa, economic growth has continued to be solid. GDP year-on-year growth is estimated at 4.8 per cent in 2013. This is slightly below the growth rates seen in recent years, but it is still the third fastest regional growth rate, after East Asia and South-East Asia and the Pacific. Growth in Sub-Saharan Africa is also high in comparison with the 1990s. From 1991 to 2000, regional economic growth averaged 2.3 per cent annually, compared with an average of 5.7 per cent during 2001–12. In 2013, more than half of the countries in Sub-Saharan Africa are estimated to have realized economic growth rates of at least 5 per cent. Furthermore, the current economic outlook suggests that regional growth rates of at least 5 per cent are sustainable, provided that global economic conditions do not weaken exports or reduce inflows of investment and aid (IMF, 2013).

Youth unemployment rates much higher than the regional average are found in South Africa, where over half of young people in the labour force were unemployed in the first three quarters of 2012, and in Namibia (58.9 per cent in 2008) and Lesotho (34.4 per cent in 2008;

ILO, 2011a and 2013b). On current trends, the youth unemployment rate is projected to remain close to 11.7 per cent in the coming years.

Similarly to South Asia, the relatively low regional youth unemployment rate in Sub-Saharan Africa is linked to the high levels of poverty. The region has by far the highest rate of working poverty, estimated at 40.1 per cent in 2012 at the US\$1.25 per day level. Working is a necessity for many young people. At the US\$2 per day level, the working poverty rate rises to 64 per cent; only South Asia has a working poverty rate at comparable levels (although the working poverty rate at the US\$1.25 per day level is significantly lower in South Asia). However, even though high levels of working poverty persist in Sub-Saharan Africa, the shares of working poor at \$1.25 and \$2 per day have dropped in the past 15 years from peaks of almost 59 and 77 per cent respectively in 1994 to their lowest level yet in 2012 (ILO, 2011a).

In many countries of the African continent, the informal economy is the largest provider of jobs for youth. For instance, in the Democratic Republic of the Congo 96.2 per cent of young workers are informally employed; in Cameroon the percentage is 88.6 per cent. In Zambia, no less than 99 per cent of working teenagers work in the informal economy.

If young people work in the informal economy it is because the modern sector and the formal segment of the economy are unable to create sufficient formal employment opportunities. An unfavourable socio-economic background and the lack of safety nets make work a necessity for many youth who make their livelihoods in the informal economy. The financial crisis has also led to rising employment in an “increasingly crowded” informal economy in developing countries.

Given the high poverty levels and high share of vulnerable employment, youth employment in Sub-Saharan Africa is as much a qualitative as a quantitative problem (ILO, 2013a). Wage and salaried workers account for almost half of employment at the global level (48.4 per cent in 2012), but this proportion is only 21.4 per cent in Sub-Saharan Africa, compared with 63.8 per cent in Latin America and the Caribbean and 49.4 per cent in East Asia. Many youth start their working life as unpaid family workers, one of the two categories of vulnerable employment, and at some point become own-account workers, the other category.

III. We call for a bold political response: Youth employment as a central objective

Africa’s medium-term growth prospects remain strong, at for example 4.8 per cent in 2013 and 5.1 per cent in 2014. Yet this growth story has not translated into job creation and poverty reduction: 70 per cent of Africans earn their living from vulnerable employment in the informal economy.

In sub-Saharan Africa, 10-12 million new young workers seek employment every year.

African policy-makers have recognized the challenge of creating gainful employment opportunities and the related need for economic and labour market transformation.

Ten years ago, the Extraordinary Summit of Heads of State and Government of the African Union on Employment and Poverty Alleviation in Ouagadougou adopted a Declaration and a Plan of Action.

Regional consultations on the post-2015 development agenda recently resulted in the formulation of four desirable development outcomes in Africa, the first of which is structural transformation and inclusive growth (UNECA, 2013). The African Economic Outlook (AEO) 2013 argues that a four-layer approach could help transform African economies, in particular through the better utilization of their natural resources. According to this approach, the first layer consists of putting in place the right conditions for structural transformation. This includes basic requirements such as infrastructure and education to strengthen skills, but also sufficiently large and competitive markets. The second layer is constituted by meeting the specific requirements of the primary sectors to fuel transformation, which includes for example good land management and resource-specific skills and research. The third layer is concerned with optimizing the revenue from natural resources and investing it wisely, while layer four is about promoting structural transformation with active policies. Such policies should focus on increasing agricultural productivity and building linkages to and from the extractive industries (AfDB, 2013).

In terms of employment, the share of workers in industry in Sub-Saharan Africa, which is estimated at less than 10 per cent, is extremely low. In all regions this share is at least 20 per cent, and in the case of East Asia it exceeds 30 per cent.

Every African country should place employment creation as a central objective of their macro-economic policies because jobs are created at the local level: country by country - city by city - village by village - sector by sector - enterprise by enterprise - unit by unit -. From multinationals to micro-enterprises and self-employment, every decent job counts and every entrepreneur matters. This should be taken into account by fiscal and custom policies. Investments remain concentrated in capital-intensive extractive industries, with few forward and backward linkages with the rest of the economy. To advance its economic transformation and create decent jobs, Africa needs to value and promote entrepreneurship.

With so many young women and men unable to secure formal employment opportunities, encouraging entrepreneurship is critical to harness their enthusiasm, energy, creativity and ambition to industrial development.

The 2012 ILO Call for action to tackle the youth employment crisis has emphasized that youth entrepreneurship can be a pathway to decent work and sustainable enterprise for some young people. Promotion of entrepreneurship encompasses a range of activities in the for-profit and not-for-profit sectors, including private business development, social enterprises and cooperatives.

IV. We need a global methodology: The 7Cs

Africa does not lack diagnoses, proclamations, declarations, decisions, strategies, policies or initiatives. But we also need the appropriate methodologies to implement them.

The “7 Cs” that I propose is a global methodology to promote employment and enterprise development for the benefit of youth inclusion.

- The first C is Concept:

It is fundamental to start with the conceptual framework.

In many developing countries the challenge is not unemployment but informality, working poverty or underemployment (working less than desired or below the worker's qualifications). Thus, unemployment figures often do not reveal the true scale and nature of the employment problem. In other words, the quantity challenge is accompanied by the quality challenge.

In its 2013 Jobs Study, the International Finance Corporation (IFC) has reminded us that the private sector must be at the core of any approach designed to address the jobs challenge, as it provides some 90 per cent of the jobs in the world. Private sector job creation is inextricably linked to overall development and poverty reduction, making it crucial to understand how the private sector creates jobs, what obstacles limit job creation, and how those obstacles can be mitigated. This is precisely the supporting role of the governments: provide the necessary macroeconomic environment and a supportive investment climate.

- The second C is Coordination:

Nobody can do it alone. Effective policy implementation requires coordination across ministries. Coordination at regional and sub-regional levels is also important because regional markets can facilitate local production linkages both within and between African countries.

- The third C is Credit:

Money is the heart of the matter. According to the IFC, less than a quarter of adults in Sub-Saharan Africa have access to formal financial services. Although there are investment opportunities, there is inadequate access to funding, in particular for MSMEs due to their limited capacity to prepare a business plan, or insufficient collateral as well as lack of business development services.

- The fourth C is Competences:

Impressive strides have been made in expanding access to primary education in Sub-Saharan Africa, and the net enrolment rate increased from 60 per cent in 2000 to 77 per cent in 2011. Nevertheless, on current trends the region is unlikely to meet the target of universal primary education by 2015 (UN, 2013b). Over time, low enrolment rates in primary education translate into low levels of educational attainment of the labour force. In some middle-income countries in Sub-Saharan Africa, workers with a secondary education may account for around a quarter of the workforce. In Botswana, for example, 26 per cent of workers had a secondary education in 2006, while in Namibia, 23 per cent of workers had achieved this level in 2012. However, these proportions are often much lower in low-income countries. For example, in Madagascar, the share of the labour force with secondary education was 15 per cent in 2005 (ILO, 2013e), while in Malawi the share of employed youth with secondary education reached the same percentage in 2012 (ILO, 2013f).

Low levels of educational attainment result in widespread under qualification, which reduces the potential for economic and labour market transformation. Data from school-to work transition surveys in Malawi and Togo show that 82 and 55 per cent, respectively, of employed youth were under qualified in 2012 (ILO, 2013f). As levels of educational attainment are typically much higher in paid employment than in self-employment and informal employment, low levels of educational attainment may also hamper formalization of jobs.

- The fifth C is Care:

Low levels of educational attainment, widespread under-qualification, a young and rapidly growing population and labour force, in combination with few opportunities for paid employment in Sub-Saharan Africa underline the need for increased social spending in the region.

In most African countries, only 4-6 per cent of GDP is spent on social protection benefits, and average expenditure in Sub-Saharan Africa is the lowest of all regions (ILO, 2010). Although some progress has been made in reducing the proportion of people living in poverty in Sub-Saharan Africa, the region has seen a steady rise in the absolute number of extremely poor people (UN, 2013b). Social protection policies help to reduce poverty, and to strengthen the foundation for future inclusive growth. Social protection has also been demonstrated to improve educational outcomes and build labour market skills, and in this way can contribute to inclusive economic growth (World Bank, 2012).

- The sixth C is Communication:

If you don't care about communication, communication will take care of you. Social dialogue between governments and employers' and workers' organizations - including the creative inputs of youth trade union networks and young entrepreneurs - leads to better policies.

- The seventh C is Control:

Rigorous monitoring and evaluation of performance is essential for maximum impact from the resources allocated for promoting employment and entrepreneurship. This provides vital feedback for improving policy, programme and project design and better reallocating the limited resources in the future.