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Joint initiative on job creation for youth in Africa

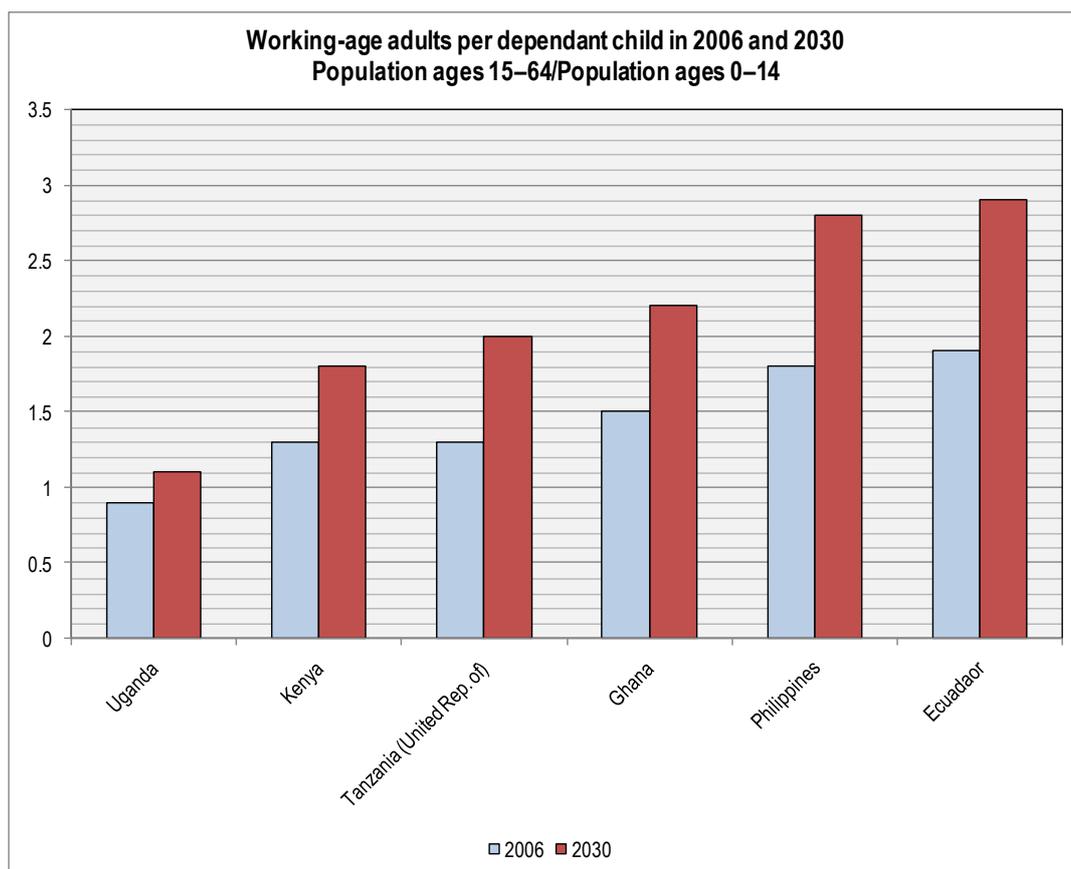
Rationale and objectives

- 1. This paper proposes a joint initiative between the African Union (AU), Economic Commission for Africa (ECA), African Development Bank (AfDB) and the International Labour Organization (ILO) to boost youth employment in Africa.** The initiative originated from the AfDB's Board of Directors' decision at its 2010 Annual Meetings to tackle the growing youth unemployment crisis in the continent. This was the subject of a recommendation to the Bank for the Medium-Term Strategy 2008–12. The Initiative is also in line with the commitment made by the African Heads of State at the 17th Ordinary Session of the African Union (Malabo, July 2011) to ensure the creation of employment for accelerating youth development and empowerment within the framework of the Youth Decade Plan of Action 2009–18. Finally, the initiative is congruent with the UN Agenda of promoting decent and productive work for young women and men.
- 2. This joint initiative seeks to ensure policy coherence, build synergies and increase impact of various youth employment activities in Africa in order to maximize effectiveness and improve coordination among the four institutions.** Each institution brings a distinct comparative advantage to the table, namely: (i) the AU's political legitimization role within the framework of the Declaration on Employment Promotion and Poverty Alleviation resulting from the African Heads of State Extraordinary Summit (Ouagadougou, September 2004); (ii) AfDB's mandate, technical and financial leverage, and operational strength in to promoting socio-economic development through projects and programmes designed to address labour market issues in Africa; (iii) the ECA's expertise in youth employment policy advocacy within the framework of sound macroeconomic analysis; and (iv) ILO's specific mandate, expertise and experience of promoting decent work through advancing rights at work, employment creation, social protection and social dialogue as described in the Decent Work Agenda.
- 3. This initiative is a response to the youth employment challenge in Africa triggered, inter alia, by the combination of the remarkable growth of an increasingly educated youth population, the slow pace of job creation in the formal economy and persistent low productivity and underemployment in the informal sector.** With more than two-thirds of its population aged below 25, sub-Saharan Africa is the youngest region in the world. The youth population constitutes about 37 per cent of the total labour force, a social category that is projected to expand more rapidly than anywhere else in the world.

Unfortunately, this necessary condition for “demographic dividend” is not matched by a correspondent growth of job creation. Indeed, despite commendable annual economic growth rates of 5 per cent in recent years and notable progress achieved in the area of education, including higher education, sub-Saharan Africa has been unable to expand employment opportunities for young people, especially the most educated ones. The mismatch between high rates of economic growth and job creation is widening income inequalities and fuelling social tensions. It is therefore imperative to increase the employment intensity of growth through policies that increase the demand for labour while at the same time enhancing the employability or the integration of young women and men into the labour market.

- 4. Unemployment of graduates and underemployment in the informal economy (where most young people in Africa work in low-productive jobs) are factors of instability, especially among the youth in post-conflict settings and fragile States.** The ensuing precarious conditions of life of the majority of African young people are not inconsequential. Not only they are marginalized and often excluded from society as functional and effective agents of change, progress and social dynamism, but they undermine the pace of the economic growth of African countries and affect their social and political stability. The recent wave of discontent sweeping North Africa is illustrative of the disruptive consequences of youth unemployment in general, and unemployed graduates in particular. The underlying conditions may in various ways be dormant and latent in other parts of the continent.
- 5. The opportunity for reaping the “demographic dividend” that benefited East Asian economies can be harnessed by many African countries.** In realizing the demographic dividend, African countries can increase the size and proportion of the working age population and trigger high rates of economic growth. Development strategies that assign centrality to employment by supporting reforms in education and training as well as enable a job friendly investment climate are a condition for reaping the benefits of the “demographic dividend” and contribute to poverty reduction. Such strategies can be implemented by putting employment as an objective of economic and social policies, including health, education and social protection.

Figure 1. Africa's window of opportunity to seize the demographic is opening



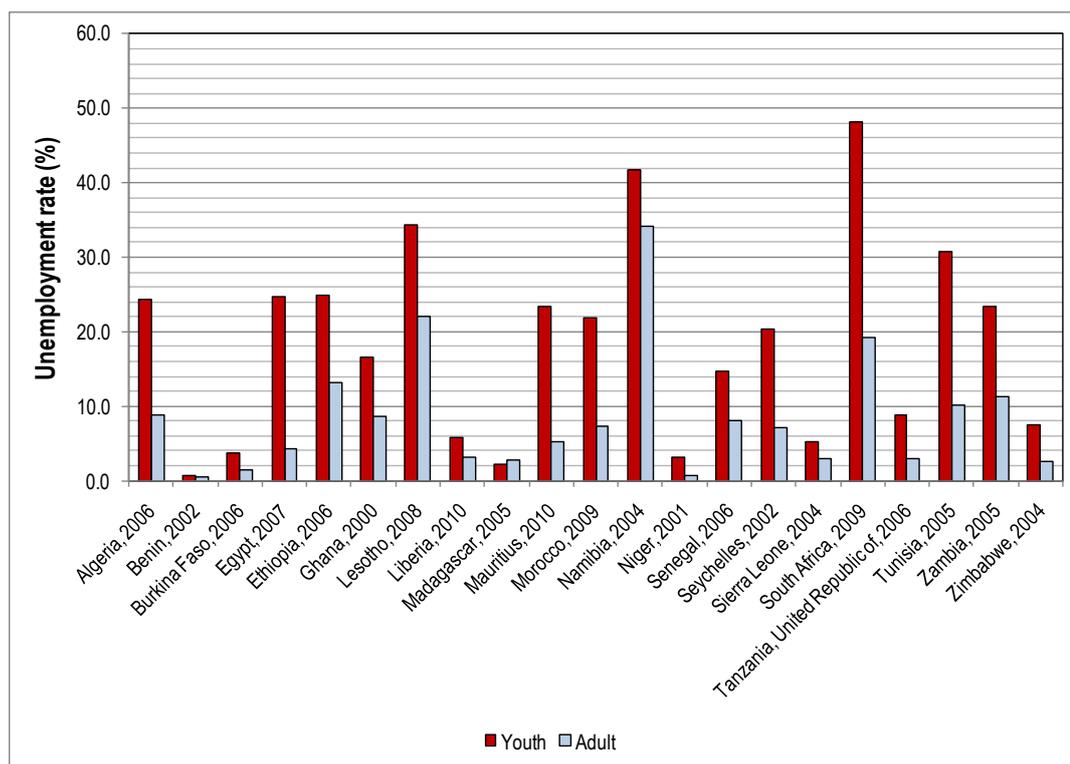
Note: Data for 2030 are drawn from projections of the United Nations Population Division, *World population prospects 2004*, medium variant projection series.

Source: Donna Clifton et al., *Population and economic development linkages: 2007 data sheet* (Washington, DC: Population Reference Bureau, 2007).

Background

- 6. Young people make up the bulk of the total number of unemployed in Africa.** They represent 60 per cent of total unemployment in the region (see figure 2 for youth and adult unemployment rates in selected African countries). The ratio youth-to-adult unemployment rates drastically rises in countries such as Tunisia, South Africa and Morocco where young people are nearly three times more likely to be unemployed than their adult counterparts.

Figure 2. Rates of youth and adult unemployment in selected African countries

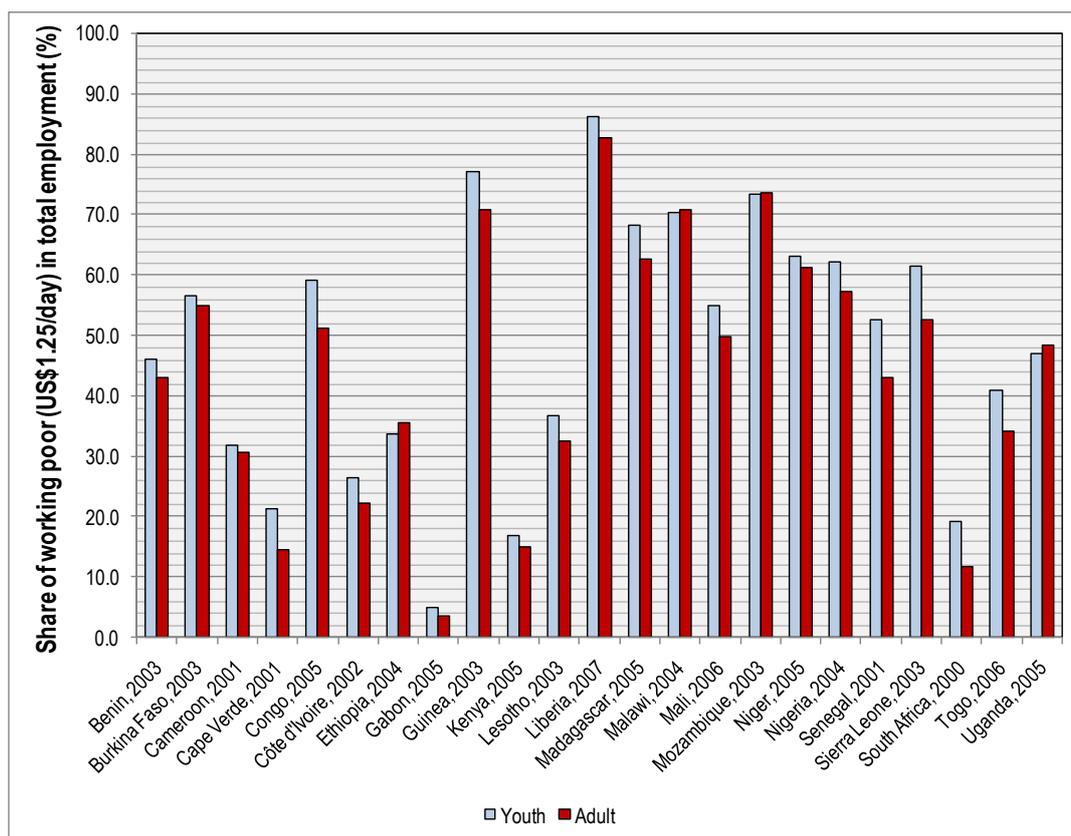


Source: ILO: *Key Indicators of the Labour Market*, seventh edition (forthcoming).

7. **The large majority of young people who cannot afford unemployment are underemployed and occupied in survival activities such as self-employment or as unpaid family workers.** Due to their low skills, lack of work experience and limited access to networks many African youth cannot afford not to work. Thus they often engage in low-productive and poor quality jobs mostly in the informal economy. According to ILO estimates, approximately 90 per cent of the jobs created in the region are in the informal economy. Despite their motivation to set up their own businesses or engage in those of their families, all too often the productivity of these young workers is hampered by a number of constraints, including lack of: (i) technical and employability skills that would enable them to connect with other providers of the value chain; (ii) information about jobs and markets needs and “niches”; and (iii) entrepreneurial and financial skills. These constraints, associated with lack of adequate collateral (e.g. own savings and property) and employment track record prevent young people from being able to contribute to increasing the informal sector’s productivity.

8. **Unemployment among young people is but the tip of the iceberg in the African continent as youth are often at the vortex of a vicious cycle of poverty, inadequate education and training and low-productive jobs, mostly in the informal economy.** This unfortunate combination of circumstances creates an endless trail of intergenerational poverty. A major consequence of this situation is that the incidence of working poverty is higher among youth than adult workers in most African countries for which data are available (see figure 3).

Figure 3. Incidence of working poverty among youth and adults in selected African countries



Source: ILO: Key Indicators of the Labour Market, op. cit.

9. Conscious of these challenges, African leaders adopted a “Programme on upgrading the informal economy” during the 14th Ordinary Session of the Assembly (Addis Ababa, January 2010). This programme recognizes that *first* pro-youth employment policies and strategies focusing on the informal sector should be supported with a view to creating productive and remunerative work for young people and adults. *Second*, sound youth employment policies must be grounded in the principle that investing in young people is a deliberate strategy for genuine economic growth and social development. It also makes business sense for enterprises. *Third*, young people are not a homogenous group, which calls for the need to combine employment-centred economic and social policies with targeted youth employment interventions aimed at redressing the multiple disadvantages facing many young people. The latter also calls for urgent attention to youth employment creation and social inclusion interventions in fragile and conflict-affected States to foster stability and social justice.

Young migrants are more likely to be unemployed and out of the labour force than their non-migrant counterparts.

10. Urban areas continue to attract rural youth but remain incapable of creating job opportunities. Rural youth should be at the forefront of interventions aimed at reducing poverty and stemming the current large-scale migration of young people to urban areas. Generally, unemployment in Africa is three times higher in urban areas compared to rural areas. Young people are more likely than other age groups to migrate from rural to urban areas to find better educational and work opportunities and a way out of poverty. Young migrants from rural areas often earn less than their counterparts in urban areas, but more than those in rural areas. However, despite increased rural-urban migration, over 70 per cent of the African youth still lives in rural areas. Poverty amongst young people in

developing countries is concentrated in rural areas, especially among small farmers and landless families.

Roots of the youth employment crisis

- 11. Four key factors are identified as constraints to the demand for labour in general, and youth employment in particular, in Africa.** *First*, African economies are enclaves characterized by excessive dependence on primary commodity exports, capital-intensive extractive industries, a weak industrial base and predominance of subsistence agriculture. *Second*, because of its emphasis on low-skilled labour, the private sector is generally unable to contribute to the development of employment and stable jobs for youth. *Third*, the investment climate prevalent in Africa is hardly conducive to the creation of productive jobs, especially in the informal sector where the bulk of the youth is condemned to precarious jobs. *Fourth*, weak institutional capacity and lack of adequate infrastructures – including roads and ICTs, particularly in rural areas – have hampered the creation of jobs for youth.
- 12. Supply factors constraining youth employment include high prevalence of illiteracy among African youth and a disconnect between twentieth century education systems and twenty-first century labour market.** Africa presents the highest proportion of illiterate youth in the world, estimated at 25 per cent. Paradoxically and concomitantly, African countries are increasingly experiencing the phenomenon of the “educated unemployed” resulting from mass higher education. About five million educated youth are being produced yearly by African universities and colleges and enter in national labour markets that display low employment capacities. This is particularly the case in countries of North Africa where the expansion of higher education has taken place at the expense of relevance and external effectiveness with the disturbing consequence that knowledge and skills imparted to graduates are more relevant to the labour requirements of the public sector of the past decades than to those of the contemporary private-sector-led economy. The low-quality and ineffective education acquired by a great number of African students hinder their fair participation in formal labour markets, thus condemning them to low productivity, low paying, and precarious jobs generally in the informal economy.

Lessons from youth employment policy at country-level

- 13. Youth employment in Africa has not benefited from a policy focus in national development efforts, but recent trends suggest a gradual change.** Africa still lags behind in developing policies, strategies and action plans that are conducive to productive job creation for youth. Creating jobs for young women and men entering the labour market every year is a critical component in the path towards wealthier economies, fairer societies and stronger democracies across the region. There is growing awareness among various governments and development partners of the urgent need of addressing the challenge of youth employment in Africa. North and Southern African countries, as well as more and more other sub-Saharan countries, are increasingly being used to support job creation initiatives. According to a ECA study conducted in 2009, from a sample of 17 Poverty Reduction Strategy Papers (PRSPs) in low-income countries (LICs) analyzed that year, 15 specifically addressed youth employment as an issue compared to 11 out of 21 in 2005. A number of African countries developed specific employment generating interventions targeting young people often with a focus on women – including supply and demand side measures.

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- 14. Country-level implementation of youth employment initiatives bears valuable lessons for future political, technical, and strategic actions.** Productive employment for young people will require long-term, determined and concerted action spanning a wide range of policies and programmes. Supportive policies are likely to include an integrated strategy for growth and job creation, reforms of the education sector, targeted interventions to improve the business climate of the informal sector and help young people overcome the specific barriers and disadvantages they face in entering and remaining in the labour market.
- 15. Creating an enabling environment for private sector investments plays a key role in smoothing youth transitions to and within the labour market.** The role of the public sector as employer is not negligible, yet in a market economy the main challenge for governments is to create an enabling environment that allows the private sector to develop its full potential and play a vital role in generating new investments and employment. Forging partnerships with the private sector to improve youth employment outcomes is critical to ensure a successful transition of young people to work. These lessons show that effective support to youth employment in African countries requires the unwavering political commitment of decision-makers to this goal ideally at national, regional and global levels. In terms of programmatic approaches, the most successful interventions are multifaceted and integrate an array of services – e.g. skills training, entrepreneurship promotion, financial and coaching services as part of business incubators, etc- packaged to meet the needs of different segments of the labour market. Finally, partnerships with local authorities and communities also proved instrumental to the successful implementation of youth employment initiatives.

Regional and international partners

- 16. Regional initiatives to address the youth employment challenge have been undertaken by AU, AfDB, ECA, World Bank and ILO.** The AU plays a key role in supporting at continental level the increasing political commitments for youth employment. This is evidenced by the Declaration and Plan of Action on Employment Promotion and Poverty Alleviation of the Heads of State and Government at their Extraordinary Summit of September 2004 in Ouagadougou, the Follow-up Mechanism, and the Malabo Declaration on Creating Employment for Accelerating Youth Development and Empowerment as well as the related reports. In its follow-up efforts, the AU has overseen the conduct of the exercise of identification of labour intensive sectors and contributed to advance the agenda of productivity and decent jobs in the informal sector. In addition, the AU is assisting its member countries to address the challenges of weak labour market institutions and harmonizing their labour market information system. Furthermore, the AUC has outlined a Youth Employment Promotion Initiative in Post-Conflict Countries, following a seminar organized on the topic in December 2010. Finally, with the support of its relevant departments, the AU has developed a set of programmes pertaining to infrastructures, energy, and rural development that provide an opportunity to create a “Green Job Market Resource”.
- 17. The African Development Bank (AfDB) Group interventions support both macroeconomic and specific sector policies that support employment promotion and job creation.** At the macro level, the AfDB has been providing, over the last four decades, technical and financial support aiming at improving good governance – including fiscal and budgetary reforms – and the creation of a conducive environment for inclusive growth through business development, infrastructures promotion, and rural and agriculture development. At the sectoral level, the AfDB involvement was geared towards (i) increasing employability of a growing labour force in its regional member countries in both the formal and the informal sectors through policies and programmes primarily in higher education, science and technology (HEST) and technical vocational education and

training (TVET) aiming at creating linkages between curricula, programmes, and pedagogical approaches on the one hand, and the needs and realities of the productive sectors of the economy labour on the other; (ii) supporting the development of self-employment and small and medium enterprises through the provision of business development training, skills upgrading, producers' organizations with emphasis on access to microfinance services and women economic empowerment; and (iii) supporting labour intensive programmes and social reintegration of ex-combatants including child soldiers in several post-conflict countries such as Burundi, Congo, Democratic Republic of Congo, Liberia, Guinea Bissau and Sierra Leone.

- 18. The Economic Commission for Africa (ECA) supports youth employment through a variety of initiatives including technical and advisory services, production of knowledge products, peer learning and programmatic support.** Technical support aims at assisting countries in the design of employment sensitive national development strategies. Furthermore, ECA is collaborating with the World Bank, UNDP, ILO and AfDB to provide joint technical assistance to fragile States on employment creation. Knowledge production relates to employment-related innovative ideas and practices. For instance, ECA's economic report on Africa (2010) entitled "Promoting High-level sustainable growth to reduce unemployment in Africa" has a special focus on jobs. ECA also facilitates peer learning on development issues including employment through e-discussions and the Africa Learning Group on MDGs and national development strategies. With respect to programme support, ECA is working collaboratively with ECOWAS in the framework of the UNDP Youth Employment Regional Programme (YERP). The objective of this programme is to enhance productive employment and decent work for all, including women and young people, with emphasis on mainstreaming youth employment in national development strategies and UNDAFs. ECA also launched the CREATIC 4AFRICA programme, an innovation hub for Africa's youth eager to create new ICT-based applications for the betterment of their societies.
- 19. The ILO has supported several African member States in operationalizing the Decent Work Agenda (DWA) for youth through multi-annual programs of cooperation with governments and the social partners, known as Decent Work Country Programs (DWCPs).** The DWA emphasizes the importance of work that means more than just earning a living. It means productive work where rights are protected, adequate income is generated, and which is accompanied by adequate social protection. ILO's support on youth employment includes: data collection, analysis of the effectiveness of policies and programs; advice to strengthen labour market policies and programs and capacity building for governments and employers' and workers' organizations. Technical assistance is also provided to formulating and implementing national youth employment programs that focus on employment-intensive investment, skills development, youth entrepreneurship, access to finance and other youth-targeted active labour market measures. Advisory services are also provided through the Youth Employment Network (YEN) in the form of evaluation clinics; support to youth employment Lead Countries and grant schemes for youth-led innovative initiatives. Establishment of strategic partnerships on youth employment and collaboration between the private and public sectors at the international, regional and national levels feature high in the provision of ILO's support to African countries. Recent initiatives comprise the establishment of national youth employment funds, a decent work multi-stakeholder programme for youth in the countries of the Mano River Union, the Youth Entrepreneurship Facility in East Africa, supported by the Danish Commission for Africa, a programme for youth cooperatives and the establishment of "Green Jobs Fund".
- 20. Despite commendable efforts achieved in support of youth development in Africa, a number of challenges are yet to be addressed, four of which require urgent attention. The first relates to the employment policy development.** African countries still need to build the capacity and political commitment required for effective policy development and implementation. The second requires strengthening the capacity of the labour market

institutions to design, monitor and evaluate youth employment policies and programs, including in the informal economy. This also involves the capacity to collect, analyze and disseminate reliable information on the youth labour market on a timely and systematic manner. The third challenge resides in the efforts to enhance the coordination and synergy among institutions and partners that play a role in youth employment policy and programme development, and implementation. And the fourth pertains to the necessity to reform African education systems, especially at higher education level, with a view to assigning centrality to youth employment and aligning structures, processes and approaches to the needs and requirements of productive sectors in both the formal and informal economies. The youth employment initiative for Africa intends to provide a response to some of these challenges.

Development goal and proposed outcomes for the youth employment initiative for Africa

21. The actions proposed in this joint Initiative are meant to provide a framework and guiding principles for an informed and effective support in the design, monitoring and evaluation of policies and programs promoting productive and job-rich growth for youth. The expected outcomes are to: (i) assign centrality to youth employment in national development frameworks; (ii) improve livelihoods and employability of Africa's youth; (iii) sustainable political leadership and technical capacity established for achieving results on youth employment promotion.

Outcome 1: Assigning centrality to youth employment in national development frameworks

- Assistance to member countries to implement national policies of youth employment. In the medium- and long-term, action will revolve around addressing the structural and contextual constraints hindering the development of African youth labour markets by integrating youth employment in national development frameworks and employment policy, as well as by developing broad-based alliances across several ministries, government agencies, social partners and other representatives of young people.
- Promotion of social protection in the informal economy and rural sector workers.
- Joint AU-International Partners Initiative on Youth Employment in Post-Conflict Countries and Fragile States.
- A facility will be developed to support knowledge development through research and analysis on key issues affecting the integration of youth in labour markets in Africa. The same facility will establish a system for knowledge sharing through South-South and North-South cooperation. This will include mutual learning and country-to-country review of effectiveness and policies, strategies and programs promoting productive work for youth.

Outcome 2: Improved livelihoods and employability of Africa's youth

- Matching structures, processes, contents, and approaches of education systems, especially in higher education, with the needs and requirements of labour markets of formal and informal economies.
- Development of integrated TVETs/apprenticeship programmes.

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- Development of school-to-work transition programmes.
 - Support to reforms of education systems, research and innovation in and for rural areas and urban slums.
 - Promotion of enabling environment for private investments and economic diversification with a focus on youth entrepreneurship.
 - Establishing a youth employment trust fund through linkages with community organizations, markets access, microfinance, youth SACCO's and cooperatives.
 - Implementing and enhancing capacity of public employment services.
 - Joint linkages on green jobs, youth funds and entrepreneurship development.

Outcome 3: Sustainable political leadership and technical capacity established for achieving results on youth employment promotion

- Upgrading the knowledge base for policy decisions on employment at country and regional levels.
- Harmonization of labour market information system including knowledge base for policy decisions (Pan-African Observatory of Youth Employment).
- Establishment of national follow-up and coordination institutions in line with the Ouagadougou 2004 process.
- Mainstreaming youth employment policy in the national development strategies and programmes.
- Promoting quality labour markets in the urban informal economy and rural area.
- Facilitating regional integration of labour markets for improved labour mobility inside Africa.
- Strengthening of M&E capacity for enhanced accountability at all levels.

The way forward

22. This joint initiative is in its early stage, and will be followed by the preparation of a consolidated and detailed programme, which will include a plan of action. The programme will be reflective of national circumstances and will take into account the consultation with the participants of the ILO African Regional Meeting to be held in October 2011 in Johannesburg, South Africa. The final draft of the document will be submitted to the AU Summit of the African Heads of State and Government in Addis Ababa, Ethiopia in January 2012.