PUSHING THE EMPLOYMENT FRONTIERS FOR AFRICA'S RURAL AND URBAN YOUTH

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The Priority

Sub-Saharan Africa's population is growing at more than twice the pace of any other region. Although the overall *rate* of population expansion has been gradually declining for decades, the absolute number of working-age people will grow by approximately 14 million next year alone (Lam and Leibbrandt 2013). By 2030, when children born this year reach their 16th birthdays, the corresponding labor pool will have grown by 21 million people annually (Ibid.).

Private sector job numbers have recently been growing across Africa, but not enough to keep pace with this tremendous population growth. In 2014 and beyond, African policymakers should make the creation and implementation of strategies to improve employment outcomes for its enormous youth cohorts a major priority. To succeed, these strategies will need to be tailored across the practical environments in which young Africans live.

Why Is It Important?

A Typology of Rural and Urban Challenges

Perhaps the most important element of variation across African labor forces is the spread between rural and urban areas, even though all economies in the region are urbanizing. At one end of the spectrum, nearly 90 percent of Burundi's population lives in rural areas, where the economy is dominated by subsistence agriculture (World Bank 2013). At the other end, 86 percent of Gabon's citizens live in urban areas amidst an economy fueled by hydrocarbon exports.

Sub-Saharan Africa's youth employment challenges can therefore be segmented across three categories of economies: (1) those that remain predominantly rural; (2) those that are predominantly urban; and (3) those that are roughly mixed between rural and urban areas.

- **Rural economies:** There are 29 countries in Africa that remain less than 40 percent urbanized. Most of these are low-income economies. As of 2012, they had an aggregate population of 558 million people, with a (weighted average) population growth rate of 2.8 percent per year (World Bank 2013). In seven of these countries (Burundi, Ethiopia, Malawi, Niger, Rwanda, South Sudan and Uganda), more than 80 percent of people still live in rural areas. Fifteen rural countries are also currently designated as "fragile situations" by the World Bank and African Development Bank based on their assessments of public institutions and the presence of peacekeeping or peace building missions.

- **Urban economies:** Only six sub-Saharan African countries (Botswana, Cape Verde, Gabon, Republic of the Congo, São Tomé and Príncipe, and South Africa) are at least 60 percent urbanized. Approximately 60 million people live in these countries with roughly only 10 million of them outside South Africa. Population growth rates range from 0.9 percent annually in Botswana to 2.7 percent in São Tomé and Príncipe.
- **Mixed economies:** These can be considered hybrids that are 40 to 59 percent urbanized. There are 13 such countries in sub-Saharan Africa with a cumulative population of nearly 300 million people, two-thirds of whom are in the emerging lower-middle-income economies of Ghana and Nigeria, both of which are nearly evenly split between rural and urban. Population growth in most of these countries remains high, on the order of 2 to 3 percent annually.

The Development–Employment Paradox

Promoting youth employment entails dramatically different approaches across such diverse circumstances. In low-income, farm-based economies, few people can afford not to work and the foremost challenge is low compensation for labor on small, family-based farms. For rural youth, "improved employment outcomes" typically imply either better farm income or better off-farm opportunities to earn income. As economies develop and urbanize, increasing the number of better paid non-farm wage jobs becomes more relevant. Skills become more important and young people face steeper challenges in finding wage-based jobs, whether formal or informal. Women tend to face particular disadvantages with persistent wage gaps compared to men (Nordman et al. 2011).

As average incomes continue to grow and a greater share of enterprises becomes formalized, tackling *un*employment becomes a foremost challenge as it is in South Africa. And while there is significant evidence of increasing returns to education in Africa, the most educated people often confront a mismatch between their training and available jobs (Teal 2011). This gap might be why Africa's urban youth often aspire to jobs in the informal rather than formal sector (Roubaud and Torelli 2013).

Against that backdrop, Fox and colleagues (2013) estimate that, between 2005 and 2010, nearly 70 percent of the region's new labor force entrants took jobs in the non-farm sector, including 23 percent in wage employment and 47 percent in informal household enterprises. Most of these enterprises are focused on local rural services and their informal or self-employed nature is not necessarily a problem. There is evidence to suggest that self-employment pays as much as wage employment at least for enterprises of similar size (Falco et al. 2011). What matters is that informal firms are less likely to grow and larger firms tend to pay better wages (Fox and Sohneson 2012).

What Should Be Done in 2014

Looking ahead, Africa's employment strategies need to segment and promote both urban and rural outcomes in parallel. As a general rule, successful approaches will include people-centric investments that help match vocational skills to the jobs of the future. They will also include efforts to ease access to start-up capital, to promote firm growth and in some cases to launch labor-intensive government projects (e.g., AfDB 2011, AfDB et al. 2012). There is some evidence to suggest that job growth should be promoted across all sizes of firms since small firms might be more likely to hire workers but they are less likely than large firms to survive (Page and Söderbom 2012). Nonetheless, Blattman and colleagues (2013) find that unsupervised grants can support significant growth in smaller firms' earnings even in highly fragile post-conflict environments.

At the same time, some of the biggest employment gains can come through indirect macro measures that will boost the results of direct labor market interventions.

- **Boosting staple crop productivity**: Most prominently, Africa's rural and mixed economies need an African green revolution to boost staple crop productivity. At a practical level, this requires scaled support for irrigation, modern variety seeds and fertilizer in line with Asia's 20th century successes and Malawi's approach since 2005 (McArthur 2013). The recent Grow Africa initiative of the African Union, the New Partnership for Africa's Development and the World Economic Forum is a promising initiative to bridge relevant private and public capital around country-specific agricultural strategies.

  A green revolution can also advance a country's overall competitiveness. It can promote rural savings, enable diversification into higher-earning crops, free up workers to launch service enterprises, and in turn bolster local consumer demand for agricultural products. The productivity improvements can also lead to a decline in the local price of food, which helps promote competitive real wages for export-oriented industries, countering the high relative cost of African labor that currently hinders industrial job growth (Gelb et al. 2013). Indeed, one key to Africa's industrial labor competitiveness might lie in the farm sector.

- **Girls' secondary education:** Africa needs major investments in promoting universal access to girls' secondary education. As with boys, this is crucial for building employable skills. But girls who complete secondary school are also much more likely to voluntarily delay the timing of their first child and choose lower lifetime fertility. Coupled with expanded access to family planning and improved child survival, a major push for girls' secondary education can play a special role in scaling back the underlying demographic pressures of Africa's youth bulge.

- **Major infrastructure scale up:** Africa urgently needs massive increases in investment for energy and transport. Employers need reliable energy to produce goods and services, and reliable roads to compete in product markets. The region's infrastructure financing gap is currently estimated on the order of $65 billion to $70 billion per year, roughly 2.5 times its current spending. The African Development Bank estimates a current leverage ratio of 1:6 so approximately $11 billion to $12 billion of public capital is needed to mobilize the corresponding private investment. The returns to both growth and employment can be extraordinary. As just one example, South Africa's post-apartheid rural electrification program helped boost female employment alone by more than 9 percentage points (Dinkelman 2011). In Africa's more remote rural economies, such huge leaps in economic connectivity can undoubtedly yield equal or greater employment gains for generations to come.

- **An employment data revolution:** To make faster progress, policymakers and analysts also need vastly better information. The recent United Nations High-Level Panel of Eminent Persons on the Post-2015 Development Agenda (2013) called for a data revolution for sustainable development. Nowhere is this more pressing than in the realm of labor force surveys and employment outcome data (e.g., Fox and Pimhidzai 2013). Nearly half the low-income countries in sub-Saharan Africa have not published data on the composition of employment over the 2000 to 2010 period (Fox et al. 2013). A post-2015 global development agenda will likely include goals for employment. There is an urgent need to conduct region-wide labor force surveys and industrial censuses that establish baseline assessments for all African countries. Measurement helps drive performance. Throughout the region, hundreds of millions of youth livelihoods depend on it.

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