YOUTH EMPLOYMENT AND THE PRIVATE SECTOR IN AFRICA

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Introduction: Youth Employment and the Private Sector in Africa

Seife Ayele, Marjoke Oosterom and Dominic Glover

Abstract This introductory article of the IDS Bulletin maps out the African youth employment challenge from a policy perspective. While policymakers have endorsed the role of the private sector as a job generator, it remains unclear whether, and under what conditions, the formal private sector generates enough and decent jobs. This IDS Bulletin begins to fill that gap. Contributors address questions including: to what extent do formal private enterprises create decent, secure jobs for young people? What obstacles do young adults face when trying to access jobs in the formal private sector? What additional difficulties are present in fragile and conflict-affected settings? And, how can policies ensure the formal private sector does not reproduce and entrench insecure and vulnerable employment? The articles in this issue demonstrate the importance of effective policy measures to ensure that private sector growth creates sufficient numbers of decent, secure jobs to provide employment to African youth.

Keywords: unemployment, underemployment, formal and informal jobs.

1 Introduction

Around the world, policy actors worry about youth unemployment and underemployment (e.g. World Bank 2015; ILO 2012; OECD 2013). Almost 43 per cent of the global youth labour workforce is either unemployed, or working but nonetheless living in poverty. On the African continent, 12 million young people enter the labour force each year, while annually only 3 million new jobs are created (AfDB 2017). Especially in sub-Saharan Africa, the challenge is not so much youth unemployment as it is underemployment. Few young people in Africa can afford to remain idle and the vast majority are working very hard, maintaining several livelihood activities (Munive 2010; Mwaura 2017). They are, however, mainly engaged in informal employment and entrepreneurship, with low productivity, insecure incomes, and low rates of pay (AfDB et al. 2012). Policymakers express a sense of urgency about getting youth into productive work, and preferably into formal jobs, in order to seize the potential ‘demographic dividend’ of a comparatively young population (Canning, Raja and Yazbeck 2015). Policymakers...
outside Africa are also eager to see young Africans enter employment, based on the assumed linkages between youth unemployment, regional instability, and out-migration, particularly to Europe (Oosterom 2018).

A dominant policy approach to youth unemployment and underemployment has been the funding of skills-building programmes that seek to enhance the employability of young jobseekers (AfDB 2016, 2017; Blattman and Ralston 2015; Fox and Kaul 2017). This approach implies that Africa’s youth employment challenge is primarily a problem stemming from the unemployability of young people, rather than a problem of too few jobs. Economic growth to date has, however, not contributed significantly to the creation of formal jobs in the private sector. In the low- and lower-middle-income countries of sub-Saharan Africa, 50 per cent of formal wage jobs are still in the public sector (Filmer and Fox 2014). The outlook for the region is uncertain. Even if sub-Saharan African countries continue to experience sustained economic growth, most of them start from such a low base that they will struggle to absorb the rapidly growing labour force (ibid.).

The private sector has an important role to play in economic transformation, and there is an emerging shift within donors and institutions such as the African Development Bank Group (AfDB) to involve the private sector in addressing youth unemployment (AfDB 2016). In fact, in 2013, the AfDB stated that ‘A vibrant private sector is the engine of growth which generates decent jobs...’ (AfDB 2013b: 1). However, it is unclear to what extent private sector growth generates jobs for youth; whether youth have any specific disadvantages when it comes to accessing formal employment in the private sector; and to what extent the private sector will generate decent jobs (Blattman and Dercon 2016; Filmer and Fox 2014: 44). These are issues addressed by the contributors to this *IDS Bulletin*.

The articles in this issue have been authored by the second cohort of young African scholars who are part of the Matasa Fellows Network, convened by the Institute of Development Studies (IDS) in collaboration with Mastercard Foundation. The first group of Matasa Fellows examined the youth employment challenge in Africa from several perspectives, including critically engaging with the policy focus on youth entrepreneurship (*IDS Bulletin* 48.3, 2017). In this round, seven early-career academics from Ethiopia, Ghana, Kenya, Nigeria, Uganda, and Zimbabwe were selected from a strong field of applicants to consider the role that could be played by the formal private sector in job creation. They have unpacked and interrogated a range of conceptual and practical issues that policy actors will need to be aware of when aiming to support the private sector for the purpose of creating jobs for youth.

The rest of this article is organised as follows. The next section explains the policy environment of current youth employment interventions, especially for Africa. Section 3 examines the potential and actual role of the private sector in addressing youth unemployment and underemployment, and Section 4 introduces the individual articles in this *IDS Bulletin*.
2. From a ‘crisis of youth’ to a ‘crisis of jobs’

Globally, governments, development agencies, and inter-governmental institutions such as the development banks have spent millions of dollars on youth-oriented programmes, particularly skills-building interventions that seek to enhance the employability of youths, or build their entrepreneurial capabilities. For instance, the World Bank Group and its recipient governments invested nearly US$9 billion in over 90 skills-training projects between 2002 and 2012 (Blattman and Ralston 2015). Such programmes are relatively easy to design and implement, and their ‘impacts’ can be measured in terms of a tally of youths who participated in training. However, the majority of skills-building programmes have failed to create employment or increase earnings, particularly in the medium and longer term (Blattman and Dercon 2016; Blattman and Ralston 2015; Fox and Kaul 2017).

Matasa Fellows have highlighted other problems: many African youths face barriers to access such programmes; the programmes often fail to meet young adults’ aspirations; and programme implementation is frequently disrupted by corruption and ‘micropolitics’ (Mgumia 2017; Sikenyi 2017). Furthermore, there is little evidence that youth employment interventions have a ‘spillover effect’ in reducing violence in fragile and conflict-affected settings (FCAS) (Brück et al. 2016). Typically, youth employment interventions do not integrate the challenging political and institutional factors that characterise fragile settings, and lack an adequate theory of change (ibid.; Cheema 2017).

Policy actors are becoming more aware of the shortcomings of skills-building interventions and efforts are underway to shift the attention to focusing on how to promote productivity, boost the private sector, and generate the kind of growth that could create jobs (Flynn et al. 2016). This raises new questions. One immediate challenge relates to the architecture of governments and donor agencies, as departments and agencies dealing with youth issues need to engage with those focusing on trade, private sector development, and economic growth. Since there is little evidence on specific issues and needs of youth in relation to the private sector, it is unclear how private sector growth strategies can respond to youth-specific challenges. To our knowledge, only a few studies have systematically compared employment outcomes for youths recruited into formal employment and those that were not offered jobs (Blattman and Dercon 2016).

One study, which focused on expanding new industries in Ethiopia, showed that youth recruited into jobs with firms were likely to leave formal employment within a matter of months, due to low wages and hazardous working conditions. Many of the youths who had pursued other options were better off than those who had spent more time in employment with firms, and some explicitly preferred to take up informal, entrepreneurial activities that offered them greater flexibility and, in some cases, better money (ibid.). A fundamental question is thus whether the private sector will generate jobs of sufficient quantity,
security, and quality. The next section will contextualise the role of the private sector in job generation in Africa.

3 The private sector and youth employment

In many African countries, the private sector started to grow shortly after independence, while some African governments promoted state-owned and state-led enterprise (AfDB 2011; Page 2017). In Ethiopia, for example, nationalisation of land and relatively large-scale manufacturing and service enterprises by the 1974–91 socialist government left a diminutive formal private sector, with a large informal sector running alongside it (Ayele et al. 2016). This experience was echoed across a large part of Africa (Page 2017). However, improved macroeconomic conditions and private sector liberalisation since the late 1980s are said to have contributed to the new growth of private sector enterprises (AfDB 2011; Page 2017). Rapid economic growth in Africa, in combination with poverty reduction, over the period 2000–14, fuelled optimism that Africa would emerge as a prosperous continent and enjoy the fruits of development (see e.g. Filmer and Fox 2014). However, rates of unemployment and underemployment, particularly among youth, remain high.

The private sector evidently has a key role to play in the eventual structural transformation of African economies (Fox and Thomas 2016). It is also widely accepted that private enterprises play an important role in job creation (ILO 2017b). However, there is a lack of data on the size and characteristics of the private sector, both at national and continental levels. One of the few continental-level studies shows that the informal and formal private sectors combined account for over three-quarters of the continent’s production, two-thirds of its investment, and 90 per cent of its employment (AfDB 2011). In 2011, Kenya had around 11 million people employed in the private and public sector, but only 2 million of these were in formal employment, of which some 68 per cent (or 1.4 million jobs) were within the formal private sector (AfDB 2013a). The great majority of private sector activities in Africa are, however, informal, of which household enterprises of various kinds constitute a large part (Filmer and Fox 2014: 15).

The International Labour Organization’s (ILO) most recent report identifies enterprise size as a key factor determining the private sector’s contributions to the generation of jobs (ILO 2017b). This is not surprising, as size is an important factor in shaping a firm’s internal and external strategy – its organisation of inputs and production, including its human resource strategies. However, criteria and thresholds for enterprise size vary by country (and within countries, by sector), and different classifications are used by different international organisations (ILO 2017b; AfDB 2017). Often, enterprises are categorised as micro, small, medium and large (and sometimes as compounds of two or three sizes, such as the commonly used category ‘small- and medium-sized enterprises’ (SMEs).
For the purposes of this IDS Bulletin, we do not endorse any particular system of size classification; however, to take an example, the ILO’s definition is that micro-enterprises are firms with fewer than five employees, small enterprises are firms with between five and 19 employees, medium-sized enterprises are firms with between 20 and 99 employees, and large enterprises are those with 100 or more employees (ILO 2017b). Most of the youths employed in Africa are working in family businesses, whether formal or informal, which are typically in the micro and small enterprise range. Some workers in such enterprises are paid wages, while others receive payment in-kind or no payment at all (ibid.). Labour-intensive manufactured exports, which can potentially drive employment creation and economic transformation, are typically not significant in most parts of Africa (Fox and Kaul 2017; Fox, Senbet and Simbagenavi 2016).

In low- and lower-middle-income countries of Africa, formal employment exists primarily in the public sector; it is mainly in middle-income countries that the private sector produces more than half of the wage jobs (Filmer and Fox 2014). Filmer and Fox write that: ‘over the next 10 years, at best only one in four of sub-Saharan Africa’s youth will find a wage job, and only a small fraction of those jobs will be “formal” jobs in modern enterprises. Most young people will end up working where their parents do – in family farms and household enterprises’ (2014: 5).

A more recent development is the introduction of digital platforms by private companies, which are transforming how youth are engaging in the private sector. In East African countries such as Kenya and Uganda, private sector transport companies such as Uber and Taxify have become involved in a large sector that was previously almost wholly informal: motorcycle taxis (Rosen 2017). While policy actors are enthusiastic about this formalisation of an informal sector of the economy, the implications for the young workers typically employed in the motorbike taxi industry are unclear. Often, the contractual terms and conditions of these companies and platforms do not meet the criteria for ‘decent work’ (ILO 2017a; Graham, Hjorth and Lehdonvirta 2017). These facts offer a sobering perspective on emerging policy narratives that promote private sector growth as the key to addressing the youth employment challenge. It is important to specify which sectors of private enterprise activity, in which economic contexts, are likely to generate secure and decent jobs for youth.

Analysts believe that investments in agricultural productivity (in smallholder farms and rural household enterprises) could enable the formal private sector to grow (Filmer and Fox 2014). A majority of African youths find themselves working in the agricultural sector in some capacity, while growing up and as adults. As with other sectors of the economy, interventions are often based on the assumption that fixing problems among youths is central to addressing the employment challenge. This is to ignore structural constraints that impede agricultural
transformation, including the lack of policies and investments that can drive innovation and productivity improvements in rural areas (Sumberg et al. 2015; Sumberg and Okali 2013). There is also limited evidence on the long-term impacts of interventions that offer access to skills training and loans for rural youth (Sumberg et al. 2012).

Rarely are youth employment strategies linked to a discussion of political context. Youth employment challenges often look different in lower-income countries compared to resource-rich and middle-income countries (Filmer and Fox 2014; Fox and Kaul 2017). In middle-income countries where structural transformation of the economy is underway, the demand for labour (including youth labour) can be stimulated by policies and projects that increase enterprise growth and productivity. However, countries that are classified as ‘fragile’ and those with rentier economies are unlikely to develop formal enterprises at scale, and here it may be futile to offer skills trainings to young people for wage jobs that are unlikely to emerge (Fox and Kaul 2017). Especially in FCAS, uncertainty due to political instability and the absence of strong state regulation discourages private sector investment, except for those actors who possess economic and political power (Blattman and Ralston 2015). This politicisation of economic life in FCAS shapes access to employment opportunities by youth, who are often at the mercy of rent-seeking behaviour by more powerful economic actors (Enria 2015; Utas 2012). In countries where dominant parties control economic resources and access to government schemes, including those earmarked for youth, young people have limited freedom to grow their businesses independently from politically linked patronage systems (Gebremariam 2017; Hansen 2010; Oosterom forthcoming, 2019).

4 Introduction to the articles

Empirical research on youth employment in the private sector is sparse (Filmer and Fox 2014). The contributors to this IDS Bulletin explore the scope of the research and policy challenges in three specific areas: agribusiness and youth employment; skills gaps and youth employability; and youth employment in fragile and conflict-affected settings, discussing case studies from Ethiopia, Ghana, Kenya, Nigeria, Uganda, and Zimbabwe. While some aspects of the youth employment challenge are common to all six countries, the local contexts and situations are unique. In particular, the dynamics of youth employment are sectoral.

Three of the articles deal with agribusinesses and agricultural value chains. Agricultural and other livelihoods in rural areas have received relatively less attention (Sumberg and Okali 2013). However, the fact remains that a majority of young people in Africa find themselves working in agriculture at some point and in some capacity. Tesfamicheal Wosen and Seife Ayele (this IDS Bulletin) use macroeconomic evidence to explore the growth of the agribusiness sector and its links to youth employment in Ethiopia. The article tracks the movement of labour from subsistence or small-scale family farming into agribusiness enterprises, as well as into the manufacturing and service sectors.
Emerging agribusinesses are generating more jobs for youth, but a number of challenges such as low wages, skills gaps, and inflexible systems of land ownership and transfer put a brake on growth and job creation. Targeted policy reforms could incentivise private agribusiness investments, address sectoral constraints, target skills and wage gaps, and improve institutions that govern land ownership and tenure.

Gertrude Dzifa Torvikey (this *IDS Bulletin*) uses a case study of the Blue Skies company, a processor and exporter of fruit products, to consider the connections between private sector growth, youth employment, and labour casualisation in Ghana. The casualisation of formal employment is in tension with the assumption that private sector growth is likely to generate decent jobs, encompassing aspects such as health and safety, job security, autonomy, and fair wages, which young people seek from paid work (Blattman and Dercon 2016; Filmer and Fox 2014: 44). Torvikey shows that, in spite of the company’s success in creating jobs for youths, particularly for young women, global competition in fruit production and export has undermined the company’s ability to sustain secure jobs for the bulk of its workforce.

The article by Rita Makumbi (this *IDS Bulletin*) scrutinises Uganda’s Youth Livelihood Programme and Youth Livelihood Fund, which are intended to support youth enterprise and job creation by extending grants to small groups of young entrepreneurs, to start small businesses that are expected to grow and provide employment. Makumbi focuses particularly on the maize value chain in Uganda, and shows that the Programme and Fund have fallen short of their goals in various respects, due largely to design problems and weaknesses in the administration of the scheme. She recommends that the Ugandan government be more proactive in identifying opportunities within the maize value chain to create higher skilled and more remunerative employment for youth. Additional measures are needed in a range of areas, such as raising awareness of job opportunities in the maize value chain; enhancing vocational and entrepreneurial skills; and also improving the functioning of higher-level actors in the chain.

The next two articles in this *IDS Bulletin* examine the skills gaps that limit the employability of university graduates and school leavers, but in ways that move beyond the assumption that young people need to be targeted with employability skills-building programmes. Jerusalem Yibeltal Yizengaw (this *IDS Bulletin*) investigates the causes and consequences of skills gaps and skills mismatches among engineering graduates in the private construction sector in Ethiopia. Sustained growth in the Ethiopian economy has created demand for jobs in the construction sector, yet despite the number of engineering graduates seeking employment, employers complain about skills gaps that hinder their employability. Rather than argue that a special skills programme is needed, Yizengaw suggests that the problem should be solved by correcting weaknesses in the design and delivery of technical and engineering disciplines in higher education, which focus on theoretical...
knowledge. She also points out that macroeconomic instability contributes to precarity in the Ethiopian construction sector, which further limits graduate employment opportunities in that industry. Yizengaw recommends that education providers collaborate with employers to make the engineering curriculum fit for purpose.

John Muchira (this IDS Bulletin) makes a similar argument in relation to high school leavers in rural parts of Kenya. In that country, a lack of formal wage opportunities pushes school leavers into precarious and informal entrepreneurial activities, rather than formal employment. The principal problem is not that the job seekers lack skills, but that the jobs do not exist. As acquiring employable skills is a key factor for youth to progress, either as an employee or entrepreneur, Muchira argues for building partnerships between secondary schools in rural Kenya and agribusinesses to foster skills-building that will enable young people to start entrepreneurial activities in the agricultural sector.

The last two articles in this collection address youth employment in FCAS. Simbarashe Gukurume (this IDS Bulletin) outlines how Zimbabwe’s protracted socioeconomic and political crisis over two decades has led to company closures, retrenchments, unemployment, and informalisation. Drawing on his studies of the experiences of youths working in SMEs in the retail and clothing sector in Harare, Gukurume argues that young people depend on their own resourcefulness and ingenuity to ‘get by’ in a context of highly insecure and precarious employment. Gukurume’s analysis highlights the politically sensitive nature of the SME sector in Zimbabwe, which requires young people to navigate partisan politics as well.

Finally, Tarila Marclint Ebiede (this IDS Bulletin) examines the potential of Nigeria’s Post Amnesty Programme (PAP) to support the employment of ex-combatants in the oil-rich Niger Delta region. Generating sustainable employment is an important part of the disarmament, demobilisation, and reintegration of young ex-combatants. Ebiede explains how the PAP has focused on training and skills development, while the design and implementation of the programme have allowed it to become an open-ended subsidy to support the incomes of unemployed and underemployed youth. Ebiede argues that the design and implementation of the programme were not informed by an adequate understanding of the local private sector in the Niger Delta, which has created a mismatch between the kind of training provided and the types of jobs actually available locally.

Overall, the articles in this IDS Bulletin underline the complexities of each country, reminding us that claims about the private sector’s role in job creation are never straightforward, and that discussions need to be based on specific and contextualised understandings of what the private sector is, the nature of the jobs it creates, and its potential contribution to the economy and the livelihood opportunities of young people.
**In memoriam**

Matasa Fellow Clementina Ajayi passed away suddenly in May 2018, due to complications during childbirth. We dedicate this *IDS Bulletin* to her memory. Readers are invited to read our tribute to Clementina on page vii.

**Notes**

* This issue of the *IDS Bulletin* was produced in partnership with Mastercard Foundation.

† We are grateful for the valuable contributions of colleagues who peer-reviewed the articles in this *IDS Bulletin*, including Justin Flynn, Eyob Balcha Gebremariam, Shittu Ayodele Ibrahim, Monica Lambon-Quayefio, Phil Mader, Grace Mwaura, Victoria Namuggala, Santiago Ripoll, Patrick Schröder, Maurice Sikenyi, Shova Thapa Karki, Jodie Thorpe and Thomas Yeboah. We also thank our colleagues Jim Sumberg, Vivienne Benson, Beth Richard, and Alison Norwood for their support with the Matasa Fellows programme and the production of this *IDS Bulletin*.

1 Institute of Development Studies, UK.
2 Institute of Development Studies, UK.
3 Institute of Development Studies, UK.
4 The definition of youth varies by country and international organisation. Unsurprisingly, contributors to this *IDS Bulletin* used statistical criterion which defines youth as those between 15 and 35 years. The previous *IDS Bulletin* on youth employment in Africa discussed the different criteria used to define youth, and the notions of unemployment and underemployment (see Ayele, Khan and Sumberg 2017).

5 Unemployment rates in sub-Saharan Africa are relatively lower than in other regions of the world, averaging 11.6 per cent across the region. Youth unemployment rates are highest in North Africa and the Middle East (30.5 per cent and 28.2 per cent respectively), and lowest in East and South Asia (10.6 per cent and 9.9 per cent respectively) (ILO 2015). Underemployment rates, on the other hand, are ‘peak[ing] at just over half of youth, excluding students, in low income countries’ (AfDB 2016).

6 The ILO definition of decent work includes a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organise and participate in the decisions that affect their lives, and equality of opportunity and treatment for all women and men.

7 In 2015, Mastercard Foundation and IDS jointly launched the Matasa Fellows Network initiative, to build a network of young African researchers with the skills and commitment to engage in policy-oriented research around the challenges of youth employment in Africa. The initiative attracts talented researchers under 40 years of age, with recent PhDs or PhDs nearing completion, and supports them to develop skills of communication, policy analysis, and
communications that are not covered in a typical PhD training
programme. See www.matasafn.org/ for further details.

Employment Challenge: New Perspectives’, *IDS Bulletin* 48.3,
15 October 2018).

9 This point was clearly articulated by donor actors at the Wilton Park
conference on ‘Boosting Youth Employment in Sub-Saharan Africa:
Creating Opportunities and Building Skills’, South Africa, 11–23 July
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