

## IMPROVING EMPLOYMENT PROSPECTS FOR AFRICA'S RURAL YOUTH

Harnessing the potential of the agriculture sector for long-term job creation

Rural youth are an important yet underutilised resource for agricultural growth and economic development in Sub-Saharan Africa (SSA). In rural areas, the prevalence of vulnerable, low-quality jobs constitutes the main labour market challenge. The International Labour Organization estimates that among the working youth in SSA as many as 80% are employed in the informal economy, typically considered a more vulnerable form of employment, and close to 70% are poor. Many of those young people live in rural areas. Given that the agriculture sector remains the most important economic sector in the region, policies that support its development and increase the human capacities of rural youth can significantly improve employment opportunities and quality.

### The Rising Challenge of Youth Unemployment

Young people between the ages of 15-24 years, both skilled and unskilled, face precarious employment conditions in SSA. They account for a disproportionately large and growing share in the total population; in 2015, half of the region's population was below the age of 25. This increase is likely to continue; **by 2035, 220 million youth in SSA are expected to enter a labour market that only has the capacity to absorb a quarter of this number.** Youth un- and underemployment rates are particularly high among women.

Moreover, **relatively high GDP growth in recent years has failed to generate sufficient productive employment in Africa.** The expansion of the labour force has outpaced economic growth, leading to "jobless growth". This is especially marked in countries where growth is driven by investments in capital-intensive sectors, such as energy.

**Rural youth face a number of particular challenges.** Scarcity of land, combined with population growth limits potential earnings from farming. A lack of infrastructure in SSA constrains rural economic development. Consequently, rural youth have limited access to educational opportunities, digital connections, financial resources, and have little decision-making power in traditional structures.

### Building up a Dynamic Agriculture Sector

**Agriculture is a main source of household income in SSA. Two thirds of rural youth are engaged in the sector.** Many

farmers are self-employed and their work is often seasonal. High demand for food in the region represents an opportunity to increase the quality of youth employment and raise earnings. To harness this potential, policies should focus on three key areas:

**1. For unskilled workers, increasing human capacities** leads to increased employability. A more qualified workforce makes it easier to match workers with the necessary skills with the right employer. Better quality education and training programs boost young people's human capital, and these effects are compounded by good nutrition and health.

**2. Increasing agricultural productivity** frees up low-paid labour to work in rural off-farm employment. Productivity in the sector can be increased by removing barriers to the commercialization of products, improving extension services, enacting land reform measures, securing property rights and removing trade distortions and other growth-constraining regulation.

**3. Employment can be generated by encouraging entrepreneurship and facilitating the growth of small and medium businesses, including those connected to farming.** Agriculture-dependent regions can benefit from a proliferation of business activity in the supply chain, both on the input provision side and in processing, transporting, market and retail. Since this requires investments, constraints to credit, including risk and lack of collateral, represent large challenges to rural business growth.

### Increasing the Quantity and Quality of Employment Opportunities

To increase youth employment, governments should aim to adopt a balance of policies promoting short-term and long-term job creation, as well as indirect complementary policies. The importance of careful monitoring of employment programs and strong evaluation frameworks cannot be overemphasized and is needed in order to increase accountability and to ensure the success and replicability of best practices.

#### Large-scale employment programs

National governments can undertake large, concerted efforts to rapidly increase employment and earnings through



large-scale employment programs, as was done in China in the 1980s and 1990s, and in India and Ethiopia in the 2010s. Examples include wage subsidies, investments into labour-intensive infrastructure projects, and financial incentives for the creation of labour-intensive private assets. Through effective planning, these can have large positive short- and long-term impacts on the rural economy and agriculture, quickly generate a large number of jobs and create durable assets that contribute to the development of the sector. This requires strong leadership and considerable planning capacity.

#### POLICY RECOMMENDATION

**Finance large agricultural infrastructure projects:** increases rural employment in the short run and agricultural productivity in the long run

Targeted policies to increase long-term employment rates

Investing in the quality of the workforce and in institutional and structural improvements along the agricultural value chain is necessary to sustain increases in employment rates and promote long-term growth. Measures should consider gender imbalances and have built-in targets for reaching women. Increasing human capacities improves the quality of the workforce, e.g. through trainings, international and domestic placements, and educational opportunities. Employment services can reduce friction in the job market while improving institutional infrastructure. Economic activity and employment rates in rural areas can be stimulated through cash transfers and agricultural entrepreneurship incentives.

#### POLICY RECOMMENDATIONS

- **Provide incentives to private companies to hire youth:** gives young people experience and increases network links within the agriculture sector and food industry

- **Implement vocational training programs:** build human capacities to fit market needs in the agricultural value chain
- **Implement agricultural entrepreneurial training programs:** build a new generation of entrepreneurs for a dynamic future agriculture

#### Complementary policies

Agricultural employment policies must be part of a larger harmonized complimentary policy strategy. Notable areas include financial policies, which improve access to finance, ensure an enabling taxation environment, and limit unfair competition; health, nutrition and food security policies, which ensure a healthy and productive workforce; and education policies that also focus on building domestic human capital.

#### POLICY RECOMMENDATION

- **Secure land property rights:** increase incentives for long-term investments into agriculture
- **Harmonize macroeconomic policies:** create conditions favouring growth in the agriculture sector

Youth cannot wait. Employment needs to be generated much faster than in the past decade. The **costs per job, sustainability of job creation and the time frame** need to be considered in employment policies. The optimal employment strategies are country-context specific. To **implement and finance these policy measures**, governments should:

- Combine programs with short- and long-term impacts.
- Find viable source of financing for large public works, e.g. taxation from remittances, future tax-revenue from increase in productivity generated by project,
- Consider wage subsidies, but given for a limited time period only.

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