



**United Nations
Economic Commission for Africa**

Youth, Education, Skills and Employment

**Poverty and Social Policy Team
Economic and Social Policy Division**

December 2005

Abstract

Africa's youth face many challenges in gaining an education that delivers them the right set of skills and knowledge demanded by the labour market. As a consequence, the transition from school to work is more often than not unsuccessful such that young Africans end up either unemployed (typically university graduates) or underemployed in the rural and urban informal sectors. To address these different dimensions, this paper first presents an overview of why human capital is important for integration into the labour market, before turning to the situation in Africa. Based on these contributions, policy recommendations are then outlined, exploring the responses policymakers need to take in order to tackle problems in the formal education sector, which should be the overriding priority. In the case that youth are nonetheless unable to make the transition to the labour market after finishing school, African governments also need to consider the use of active labour market policies, which target young people with training and other measures to assist them in getting a job. Ignoring these issues will only result in lower economic growth in addition to indirectly related outcomes such as poor health and violence/conflict. Developing the education and employment opportunities for Africa's youth must therefore be a priority for all governments and donor partners.

Keywords: youth, Africa, education, active labour market policies, training, unemployment, skill mismatch

Table of Contents

Abstract.....	1
1 Introduction	4
2 Human capital and the mobilisation of young people in the economy	5
2.1 Background: human capital theory.....	5
2.2 Linkages between education, training and the labour market	7
2.2.1 The schooling decision.....	8
2.2.2 The school-to-work transition	9
2.2.3 Active labour market policies.....	10
3 Formal education and labour market experiences of Africa’s youth.....	12
3.1 Education in Africa.....	12
3.1.1 Universal primary education.....	12
3.1.2 Challenges in other levels of formal education.....	13
3.1.3 Gender disparities	14
3.1.4 Rates of return to education.....	15
3.2 Labour market outcomes for African youth.....	16
3.2.1 Youth unemployment in Africa and other indicators of poor labour market outcomes.....	16
3.2.2 Unemployment and skill mismatch.....	19
3.2.3 Rural divide and underemployment	20
3.2.4 Gender disparities in the labour market	20
4 Policy responses for African governments.....	22
4.1 Priorities for the formal education sector.....	22
4.1.1 Improve access to and quality of education.....	22
4.1.2 Financing education.....	23
4.1.3 Improve the match between skills and labour demand.....	24
4.2 ALMPs to address poor labour market outcomes in Africa.....	24
4.2.1 ALMPs for wage employment	25
4.2.2 Public works programmes	25
4.2.3 Skills training.....	27
4.2.4 Job search assistance.....	29
4.2.5 Policies to promote self-employment	29
4.2.6 Monitoring and evaluating ALMPs	31
4.2.7 Policies need to be simple, cost-effective and targeted	32
5 Conclusion	33
6 References	33

Table of Figures

Figure 1 – Human capital and the labour market.....	8
Figure 2 – Youth unemployment rates – 1993 versus 2003	17
Figure 3 – Rural and urban youth unemployment rates in selected African countries	21

Tables

Table 1 – Objectives and types of active labour market programs.....	11
Table 2 – Youth unemployment rates for selected African countries.....	18

Table of Boxes

Box 1 – The Mubarak-Kohl initiative in Egypt.....	25
Box 2 – Public works programmes in Senegal.....	26
Box 3 – The Chilean Joven programme	27
Box 4 – Jua Kali in Kenya – training vouchers for “workers under the sun”	28
Box 5 – Youth Business International helping young people become entrepreneurs	30

1 Introduction

Human capital is both a key driver of economic growth and a means to promote overall development. The most imperative phase to accumulate human capital in the form of general knowledge is during school. After finishing formal education, young people should be able to subsequently make a successful transition from school to work with the skills and knowledge they acquired. More specific skills can then be developed through training and experience on the job. This process is an integral step towards promoting economic growth, poverty reduction and prosperity in Africa.

Unfortunately, the situation for Africa's youth in the labour market is far from satisfactory with many of these young people failing to gain employment or ending up working in poor conditions in the informal economy. One clear indicator of this is the youth unemployment rate in sub-Saharan Africa, which stands at around 21 percent, the second highest rate in the developing world after the Middle East and North Africa. The Economic Report on Africa 2005 produced by the United Nations Economic Commission for Africa (UNECA) provides a detailed discussion on the factors behind youth unemployment on the continent. Clearly, low economic growth is the key determinant of unemployment, which implies that governments have to focus on appropriate macroeconomic policies and microeconomic reforms in order to stimulate job creation. However, there are also specific issues that contribute to the high unemployment rates of young people in Africa. These include an increasing youth population, a shrinking public sector, poor health (particularly as a result of AIDS), inadequate education and a lack of skills (UNECA 2005a).

While all the different dimensions to this problem and the synergies between them are important for policymakers, this paper focuses on the last group of issues, namely the linkage between human capital and labour market experiences for Africa's youth. This paper views these issues as consisting of two components: firstly, long-term policies and factors relating to the formal education sector; and secondly, more short-term training and active labour market policies, which strive to improve the employment prospects of youth after finishing school.

The remainder of this paper is structured as follows. Section 2 is an overview of the situation facing young people in terms of education, the development of skills, and their experiences in the labour market. This section also presents a conceptual framework, which provides a justification for the main themes of the paper – education and active labour market policies. Section 3 explores the situation in Africa in the formal education sector and subsequently in the labour market, before concrete policy issues and recommendations are discussed in Section 4 in terms of education and active labour market policies. Finally, Section 5 provides a brief conclusion.

2 Human capital and the mobilisation of young people in the economy

In this section we review in a stylised setting the role of education in the development of young people's human capital and their subsequent ability to participate in the labour market. This helps identify the important mechanisms and linkages, which are then discussed in Section 3 in relation to the situation in Africa. Following the United Nations definition, youth are defined here as individuals between 15 and 24 years of age (UN 1992).

2.1 Background: human capital theory

Human capital is an economic term that encompasses the abilities, skills and knowledge embodied in a person. The use of this concept in the economics literature has largely been confined to the role of human capital in determining wages in the labour market and more generally to its contribution to productivity and economic growth.

The modelling of human capital in a more rigorous framework was pioneered by the studies of Mincer (1958), Schultz (1961) and Becker (1964), which formalised the analysis of demand for education by individuals and their subsequent supply of skills in the labour market. The key premise in this literature is that education is an investment, which leads to higher wages, reflecting the increased levels of productivity resulting from human capital accumulation. These private returns to education are incentives for families to invest in their children's education, while the social benefits of education (impact on economic output) provide a rationale for public investment in the formal education sector. Social returns to education can be higher than the private returns when externalities arise due to technological progress or other social benefits that are generated such as lower crime and better health (Krueger and Lindahl 2001).

There is a vast empirical micro literature on estimating the rates of return to education (RORE). The standard empirical approach has been to use a Mincerian wage equation, which was first proposed by Mincer (1974). In this study, Mincer (*ibid*) shows that if 1) the only opportunity cost for a school-age child is the cost of attending an additional year of school, and 2) if the proportional increase in earnings resulting from more education is constant over the individual's lifetime, then the log of earnings is a linear function of the number of years of school ($\ln(\text{wages}) = f(\text{schooling})$ – which is specified empirically as $\ln(\text{wages}) = b_0 + b_1S + e$). The slope of this relationship (b_1) provides an estimate of the private return to schooling. The Mincer wage equation is typically estimated using OLS or instrumental variable techniques.

The empirical findings of these studies have led to a number of stylised facts (see Psacharopoulos (1994) and later articles by this author). One of these is that the private and social rates of return are highest for primary education, followed by secondary and tertiary education. Other propositions include: ROREs are higher than the aggregate social opportunity cost of capital; the private rates of return to higher education are usually much larger than the social returns as a consequence of subsidies (though these returns do not include social benefits that are hard to measure); and the pattern of ROREs remains relatively stable as a country develops. These propositions had the following implications, which heavily influenced policymakers especially the World Bank's approach to education policy: education is an attractive investment; primary education should be more of a priority than secondary education; and governments tend to over-subsidise tertiary education (Bennell 1996).

However, as illustrated in Bennell (1996) using estimates for sub-Saharan Africa, there are considerable problems in the estimation of ROREs in terms of sample selection bias on the demand side (individuals with a higher innate ability are more likely stay on longer in formal education) and lack of comparability of data, which all put some doubt on the accuracy of these estimates, and hence, the validity of the resulting policy recommendations.

The contribution of human capital theory to economic development has also been a prominent theme in the growth literature, particularly since the emergence of endogenous growth models such as those proposed by Romer (1986) and Lucas (1988) (see Topel (1999) and Krueger and Lindahl (2001) for an overview). The mechanism for human capital to impact economic growth here is either due to the accumulation of this factor in production (as in Lucas (*ibid*)); or innovation and technological progress resulting from the existing stock of human capital (see Romer (*ibid*)). The empirical macro literature, which has attempted to distinguish between these propositions, has yielded two main findings: the initial stock of human capital is more important than the change in human capital (i.e. in favour of the model put forward by Romer (*ibid*)); and secondary and post-secondary education matter more for economic growth than primary schooling (Krueger and Lindahl *ibid*). Both propositions are in contrast to the findings of the majority of empirical micro studies mentioned above, which indicate that an increase in schooling has a positive impact on earnings and that the returns are the highest for primary school.

Moreover, the above micro and macro predictions are all based on the assumption that human capital theory is a valid explanation for the linkage between education and wages in the labour market. That is, workers who have accumulated more education (or for that matter work experience) have a higher productivity, and therefore, should be remunerated with a higher wage. However, as argued by Weiss (1995) and other references cited therein, there are in fact other theoretical frameworks that are consistent with this hypothesised relationship.

One explanation is based on the concept of sorting, which in this setting relates to either the notion that individuals use education as a signal of their unobserved ability, or alternatively, employers use education to screen workers, again as a consequence of their ability being unobservable (Weiss 1995). The point here is not that such theoretical explanations contradict the premises of human capital theory; they are rather extensions of this. But sorting does have implications for the social returns to education. For example, if sorting is important for individuals, the marginal benefit of getting an education in terms of the impact on wages will be much larger than the expected impact of that accumulated human capital on productivity. Education will thus still have a positive effect on wages, but it will not have the same contribution to economic growth, and therefore, wage differentials will overstate the productivity gains to society (Topel 1999; Weiss *ibid*).

Education is, however, not just about improving wages since it also goes to the heart of development. As stated by Nobel Laureate Amartya Sen in his capabilities approach, the importance of human capital is far greater than the neo-classical conceptualisation, which restricts the value to its instrumental role in increasing productivity, earnings and output. Sen's concept of "human capabilities" is broader and recognises that the acquirement of skills and knowledge has other direct benefits for the well-being and freedom of individuals (Sen 2000). In particular, being educated is necessary for people to carry out the lives they value. For example, as well documented in the literature, there is a strong correlation between education and health relating to such aspects as reproductive decisions, HIV prevention and infant mortality, which is especially relevant for women in regions like Africa. Education also provides an individual with the capacity to participate in a knowledge-based society, where it is, for instance, now necessary to be literate and have some grasp of English to use the Internet.

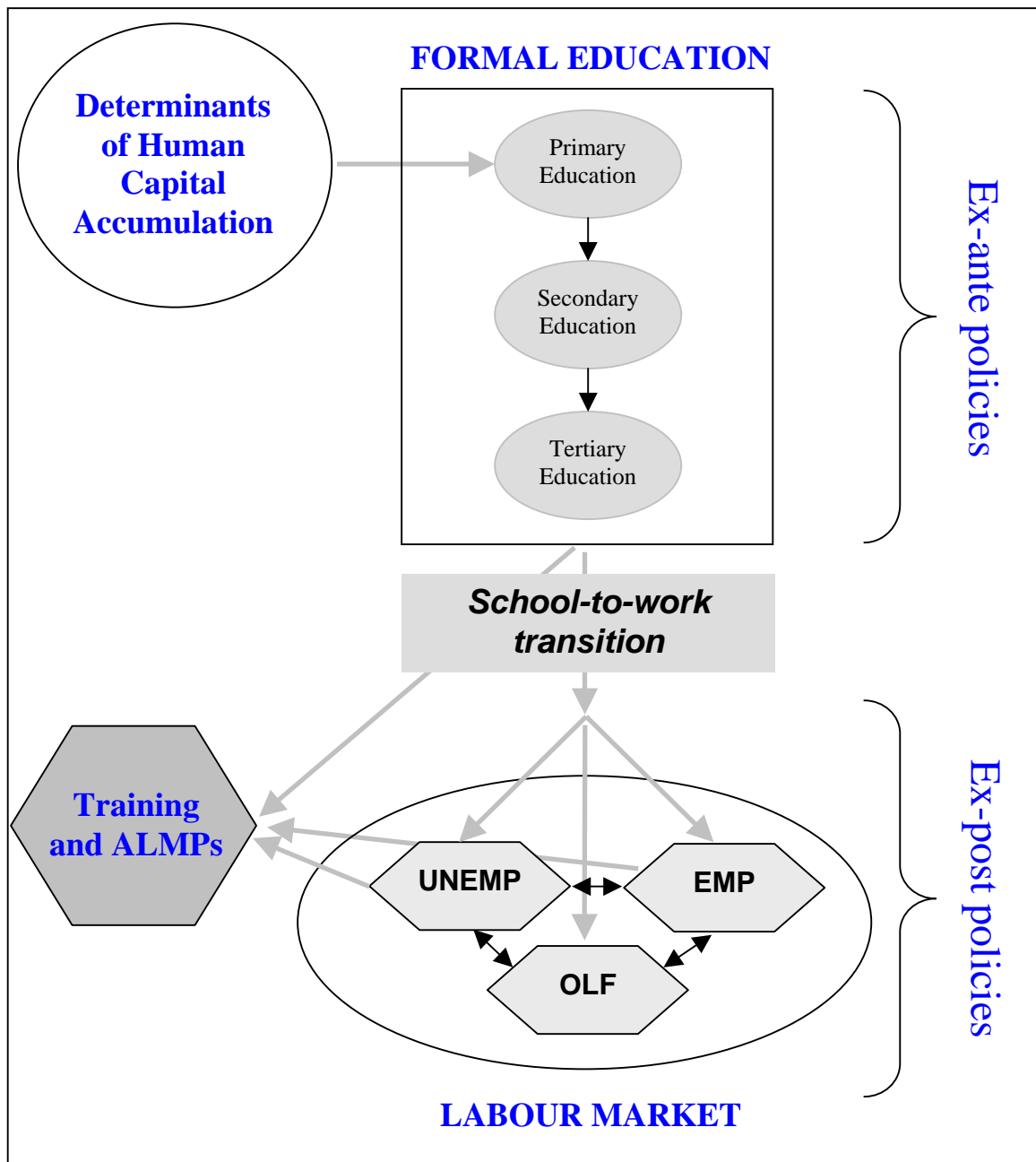
2.2 Linkages between education, training and the labour market

Based on the issues presented above, we present in this section a more detailed discussion of the linkages between education, training and the labour market using Figure 1, which illustrates in a simplified fashion the paths between these different stages in a young person's life. As labelled in this diagram, what is denoted here as the realm of ex-ante policies relates to formal education, while the ex-post ones refer to the use of policies after the individual has completed school. The issues are in turn explored in further detail in Sections 3 to 4 with respect to Africa and policy recommendations.

2.2.1 The schooling decision

Starting in the top-left corner of Figure 1, the circle represents the range of factors that determine whether and how a family invests in the formal education of a child. Firstly, the returns to education and outcomes in the labour market will influence how parents perceive the benefits from education, which will be weighed up against the costs such as school fees, textbooks, uniforms, and access to school. Secondly, another important factor for poor families is the opportunity cost of sending children to school. In this respect, the next best alternative for children is of course working either in home production, the

Figure 1 – Human capital and the labour market



schooling for their children. The optimal schooling decision will theoretically result from the maximisation of the discounted present value of future earnings net of schooling costs, which is reached by equating the marginal benefit of schooling with the marginal cost.

Though they do not play an explicit role in the human capital framework, other important determinants including the educational background of the parents, gender of the child and the total number of children have been shown to be important determinants of the schooling decision since families make such judgements based on the household structure and not just in terms of the individual child (Freeman 1986). Moreover, parents in the real world are not always able to maximise the returns from education because of credit constraints, imperfect information or uncertainty (due to conflict for example). Therefore, the schooling decision may be sub-optimal in the sense that the children do not receive the amount of education that would lead to the highest payoff later on in the labour market.

As illustrated in the Figure 1, the formal schooling decision consists of three stages: primary, followed by secondary and then finally tertiary education. With the expansion of universal primary education, enrolment rates in the first stage have increased substantially (the rates for Africa are expanded upon in Section 3.1). However, there remain many barriers for poorer families in developing countries in achieving the next step to secondary school, which still typically incurs fees. Carrying on to tertiary education continues to be the privilege of the wealthier or perhaps a select few who can access scholarships.

2.2.2 The school-to-work transition

The next stage as portrayed in Figure 1 is the school-to-work transition where the individual leaves formal education to join the labour market, which can occur at any level of schooling. In developing countries the transition takes place earlier than in industrialised countries. For example, the expected duration of primary and secondary school is only 7.5 years in Africa compared with 12 years for Europe and the Americas (UNESCO 2005). According to human capital theory, the education acquired by a young person will be remunerated in terms of earnings, with higher wages reflecting higher productivity resulting from more advanced levels of education. Education will also determine the ability to participate in the labour force, not just the level of wages. This relationship is represented in Figure 1 by three states: employment, unemployment and out-of-the-labour force (OLF), where the latter is included to capture the possibility for exiting the labour market altogether.

The school-to-work transition can be successful insofar the young person is able to gain employment, which is the overriding aim for young people once they leave formal education. In developing regions like in Africa, employment

possibilities for young people are often restricted to the informal sector, which dominates the labour market since there are few opportunities in the formal segment of the economy.

However, as more often is the case in Africa, the transition from school to work is unsuccessful such that young people are not able to find any employment. The most common indicator of this inferior outcome in the labour market is the unemployment rate, which is defined as the ratio of the number of unemployed to the total persons employed and unemployed (labour force). According to the definition adopted by the International Labour Organisation (ILO), to be classified as unemployed the individual must be without work, be actively seeking work recently, and currently available to commence a job.¹ Unemployment is clearly a problem in OECD countries, particularly in parts of the European Union such as in France, Germany, Italy and Spain. However, in most developing countries, unemployed individuals do not receive any form of unemployment benefits or insurance, and thus, it is usually young people from wealthier backgrounds who can afford to remain unemployed. This implies that unemployment is an inadequate indicator of economic hardship or well-being, an issue we return to in Section 3 in terms of the situation in Africa.

The other non-employment outcome in the labour market pictured in Figure 1 is being out-of-the labour force (OLF) (often also called inactivity), which assumes that the individual is no longer looking for work as a result of such factors as poor motivation and disability/illness. In the African context, this outcome is not the overriding problem and the OLF rate is typically low in this region (see ILO Key Indicators of the Labour Market Version 3), though as discussed later in this paper, it can be an issue in more developed countries such as South Africa.

As a final point regarding the labour market schema in Figure 1, labour market transitions can also occur from one of the three labour market states (employment, unemployment, and out-of-the labour force) to another. The objective of what are called active labour market policies is precisely to facilitate the transition to employment for unemployed or inactive youth.

2.2.3 Active labour market policies

Though training may also be conducted directly after formal education or while on the job, which are also important ways of accumulating human capital, this paper addresses the use of training and other policy measures to assist young people who do not have any form of employment or those without decent work. These measures are called active labour market policies or programmes (ALMPs), which are denoted by the circle in the lower-left corner in Figure 1. The overall objective of ALMPs is to improve the employment chances, in addition to the

¹ See Key Indicators of the Labour Market Edition 3 CD-ROM produced by the ILO

earnings capabilities of individuals who are unemployed or out-of-the labour force through the use of public funds (O'Higgins 2001). These measures could also be considered in response to the situation of underemployment, an aspect that is very relevant to Africa. In this sense, some ALMPs could be used for young people working in the informal economy with a view to getting them into formal employment. Along with economic objectives, these policies could also be implemented to meet social and political aims such as reducing conflict/violence or addressing inequality (Bechterman et al. 2004).

There are two main types of ALMPs, which though apply more generally to unemployed adults, can be specifically tailored for Africa's disadvantaged youth:

- a. Policies to promote wage employment through subsidised placement, employment assistance and vocational training;
- b. Measures to encourage self-employment such as training, and facilitating access to credit/grants and other business requirements.

These policies have different purposes and roles depending on the nature of the unemployment. In particular, policies need to be designed differently if youth unemployment is cyclical or structural in nature. This is illustrated in Table 1 below. Firstly, during a recession, particular ALMPs can be implemented to generate employment such as public works programs, wage subsidies, training subsidies and self-employment support. To rectify structural unemployment in the labour market, policies like employment services, training and wage subsidies can be utilised by governments. For example, job search assistance can improve the matching between unemployed youth and job vacancies and thus increase the efficiency of the labour market. Finally, training is a policy that can enhance skills and productivity, and hence, facilitate the supply of suitably qualified labour.

Table 1 – Objectives and types of active labour market programs

<i>Objective of ALMP</i>	<i>Types of ALMPs</i>
Moderate cyclical downturns (labour demand)	Public work programs, wage subsidies, training, self-employment support
Reduce structural imbalances and improve functioning of labour market	Employment services, training, wage subsidies
Enhance skills and productivity (labour supply)	Training and re-training

Source: Adapted from Bechterman et al. (2000) and Bechterman et al. (2004)

3 Formal education and labour market experiences of Africa's youth

The issues from Section 2 relating to formal education and labour market outcomes are presented in this section in terms of the experiences of African youth and the recent trends on the continent.

3.1 Education in Africa

3.1.1 Universal primary education

Investing in basic education has been a mainstay of the development agenda over the last few decades. Clearly, for any young person to find employment in an African country, they must possess at least a minimum level of human capital. To meet this objective, African governments have committed themselves to achieving "Education for All" (EFA), a commitment reaffirmed at the World Education Forum in Dakar in 2000 and then again as part of the Millennium Development Goals (MDGs). However, until recently, the educational achievements in African countries were insufficient. Nonetheless, it is now promising that fourteen African countries are on track to meet the second Millennium Development Goal of achieving universal primary education as measured in terms of the net enrolment and completion rates. These countries are Algeria, Botswana, Cape Verde, Egypt, Gabon, Mauritius, Namibia, Rwanda, Sao Tome & Principe, Seychelles, South Africa, Togo, Tunisia and Zimbabwe (UNECA 2005b).

These significant improvements in basic education are reflected in UNESCO education statistics. For example, the net primary school enrolment rate is now (as of 2002/2003) 67 percent in Africa, up from a 60 percent in 1998/1999. The rates for males and females have increased from 64 percent for males and 57 percent for females in 1998/1999 to 70 percent and 63 percent (UNESCO 2005). The net enrolment rate in primary school, however, varies from a very low 28 percent in Niger and 29 percent in Burkina Faso to 99 percent in Cape Verde and the Seychelles.

In conjunction with improvements in schooling, literacy rates have witnessed strong gains over recent decades. The male adult literacy rate increased from 59 percent in 1990 to 71 percent in 2002, while the female rate rose from 40 percent to 58 percent over the same period. The efforts of African countries to achieve universal primary education are actually better reflected in the trends of the youth literacy rate: for young males the rate increased from 75 percent in 1990 to 84 percent in 2002, with females improving their rate of literacy by an even greater margin from 60 to 77 percent (World Bank 2005a).

The first step towards universal education is naturally getting children enrolled in primary education, but the challenge is to keep them in school and to provide pupils a decent education. In particular, looking at the primary school completion rates reveal that while some African countries have been successful in improving enrolment rates, they have often not been able to translate this into completion of primary school and a successful transition to secondary education. In 19 African countries the ratio of entry to the last grade of primary school is as low as 50 percent. Moreover, in countries such as Burundi, Djibouti, Niger, Rwanda and Sudan, more than 40 percent of pupils in the last grade of primary school do not finish.

As a consequence of the push for universal primary education, governments face, however, challenges in terms of resources for schools, especially with respect to teachers. One indicator of the quality of education is the pupil-teacher ratio, which varies in sub-Saharan Africa for the primary level from 13 in the Seychelles, 22 in Egypt and 25 in Mauritius to 68 in Chad, 67 in Mozambique and 65 in Ethiopia (UNESCO 2005). The supply of teachers is now a major constraint from converting universal access to education to having universally well-educated pupils and ultimately well-trained workers. HIV/AIDS has greatly exacerbated the situation in Southern African countries. Low quality schooling will reduce the demand for education, and decrease the incentives for parents to send their children to school.

3.1.2 Challenges in other levels of formal education

Therefore, the situation at the secondary stage of school is the next challenge for African governments. The rate of transition to secondary school is very low in most African countries, resulting in the poor secondary enrolment ratios. For example, in Uganda, a country lauded for its efforts in meeting the goal of EFA, the gross enrolment ratio (net rate not available) reached 141 percent (reflecting that many of the pupils are older than the standard primary school age group) in 2002/2003, but the expected gross intake ratio to the last grade of primary school was only 77 percent. This picture further deteriorates when looking at the rate of transition from primary to lower secondary school, which stood in Uganda at only 42 percent for 2001/2002 to 2002/2003 (UNESCO 2005).

According to UNESCO data, the lower secondary enrolment ratio in Africa was only 45 percent in 2002, with the upper secondary ratio dropping to 29 percent for the same year (UNESCO 2005).² The world averages for these two ratios are 79 percent and 51 percent, respectively. In fact, lower secondary enrolment ratios

² The gross enrolment ratio is the number of pupils in education (regardless of age) as a percentage of the population in the theoretical age group for the same level of education (UNESCO 2005).

are below 40 percent in half of the countries in Africa, with ratios between 10 and 20 percent in Burkina Faso, Burundi, the Central African Republic, Niger and Rwanda. Lower rates of completing primary school drive these poor secondary enrolment ratios.

Upper secondary enrolment rates fall even further, and participation in tertiary education is as a consequence restricted to a small proportion of the population in most African countries. Though data for the tertiary sector is limited, gross enrolment ratios in universities and other tertiary institutions ranges from a mere one percent in a number of African countries such as Burkina Faso and Djibouti to 23 percent in Tunisia and a large 58 percent in Libya (UNESCO 2005).

3.1.3 Gender disparities

As a consequence of cultural attitudes, girls have traditionally missed out on sustained investments in human capital, though this has improved in some African countries in recent years.

One measure of gender equality in education is the Gender Parity Index (GPI) reported by UNESCO (2005). This indicator is simply that ratio of female-to-male values for a given indicator, where 1 indicates parity between the sexes. For example, according to the Global Education Digest 2005, the GPI for the primary education gross enrolment ratio in Africa is 0.87 (80 percent for girls divided by 92 percent for boys) reflecting that more boys than girls attend primary school. This figure as often is the case in Africa masks the heterogeneity witnessed at the country-level. The GPI for primary education ranges from 0.63 in Chad and 0.67 in the Central African Republic, the countries where the gender disparity in gross enrolment in primary education is the highest, to 1.02 in Lesotho and 1.01 in Namibia, countries where girls actually outnumber boys. It is also promising that gender biases are expected to improve in a number of African countries such as Benin, Burkina Faso, Mozambique and Uganda (UNESCO *ibid*).

Unsurprisingly gender disparities continue to persist at other levels of education, which results from the biases in primary education in addition to other factors hindering attendance of secondary school. For example, the GPI for the gross enrolment ratio in lower secondary and upper secondary in Africa was in 2002/2003 0.81 and 0.89. The gender disparity against girls in lower secondary education was the highest in Benin, Cote d'Ivoire, Ethiopia, Guinea, Mali and Togo, countries where there are fewer than 60 girls per 100 boys at this level of schooling (UNESCO 2005).

The impact of traditional bias towards the education of males is subsequently reflected in adult literacy rates. For the year 2002, the adult male literacy rate for sub-Saharan Africa stood at 72.5 percent in comparison with only 57.6 percent

for adult females, a difference of 14.9 percentage points. Fortunately, as a consequence of improvements in female education in recent decades, the youth female literacy rate in 2002 reached 76.4 percent, only 7.7 percentage points lower than for young men in the same year (UNESCO 2005).

3.1.4 Rates of return to education

As discussed in Section 2, the rates of return to education will influence the incentives for governments to spend on public education (social returns) and for families to invest in their children's human capital (private returns). The question raised by looking at the rates of return to education (RORE) in general is whether changes in skill premiums affect the decision to invest in human capital. In particular, if returns to education fall, parents have stronger incentives to allow or encourage their children to work in the labour market, home-based or otherwise.

Evidence presented in Psacharopoulos (1994) reveals that the social rates of return to primary education in sub-Saharan Africa is highest for primary education at 25.6 percent followed by 21.7 for secondary schooling, and finally, 12.2 percent for higher education. Similarly, results in Godfrey (2003) indicate that the social returns to education in Africa are 25.4 percent for primary schooling, 18.4 percent for a secondary level education, and finally, 11.3 percent for tertiary education. Such results have been used as a justification for higher spending on primary education. In general, the estimates for the primary and secondary levels in sub-Saharan Africa are higher than found in all other regions, while the social return on tertiary education is also close to the highest estimate for Latin American and the Caribbean.

At the more micro-level, Appleton et al. (1999) investigate the private returns to education in the manufacturing sector in Kenya using three waves of data from 1978, 1986 and 1995. The estimates imply that the Mincerian returns to primary education have fallen from 10 percent in the first wave to 2 percent in the third, while the returns to secondary schooling decreased from 34 percent to 12 percent over the 17-year period. On the other hand, there is no clear evidence for a change in the returns to a tertiary education. The phenomenon of falling ROREs as identified by Appleton (ibid) could indicate that either educational supply has increased faster than demand, which is put forward as an explanation by Psacharopoulos and Patrinos (2004), or because the labour market requires higher levels of education than actually acquired by young people in education (skill mismatch).

Using household data, Aromolaran (2004) estimates the private returns to education in Nigeria, again based on a Mincerian wage equation. The results indicate that returns for both Nigerian men and women to primary and secondary schooling are very low (2-4 percent), while there are more substantial returns to post-secondary education in the order of 10-15 percent. Based on

these estimates, Aromolaran (*ibid*) argues that further expansion of education at lower levels can only be justified on equity grounds, but not in terms of efficiency, unless the quality of education and overall macroeconomic situation improves. Moreover, with higher returns to post-secondary schooling, this study proposes that the Nigerian government could increase tuition fees to recover some of the public costs of tertiary education. To address equity issues at this level, the author suggests that the government uses subsidies, scholarships, loans and other financial instruments to assist capable students from poorer families in participating in post-secondary education.

However, as mentioned above in Section 2 and in the literature, there are a number of methodological problems with the estimation of rates of return to education (ROREs) for sub-Saharan Africa such as comparability of data, coverage and sample selection. As discussed in Bennell's criticism of the literature dominated by Psacharopoulos (see, for example, Psacharopoulos (1994)), the studies for SSA only cover 18 countries out of 46 in the region, representing just half of the total population (Bennell 1996). Therefore, extrapolations based on these results for the whole continent are in principle very difficult. Moreover, the sample used in studies such as Appleton et al. (1999) is restricted to workers in wage employment in the formal sector, which only accounts for a small proportion of the labour market in Africa.

3.2 Labour market outcomes for African youth

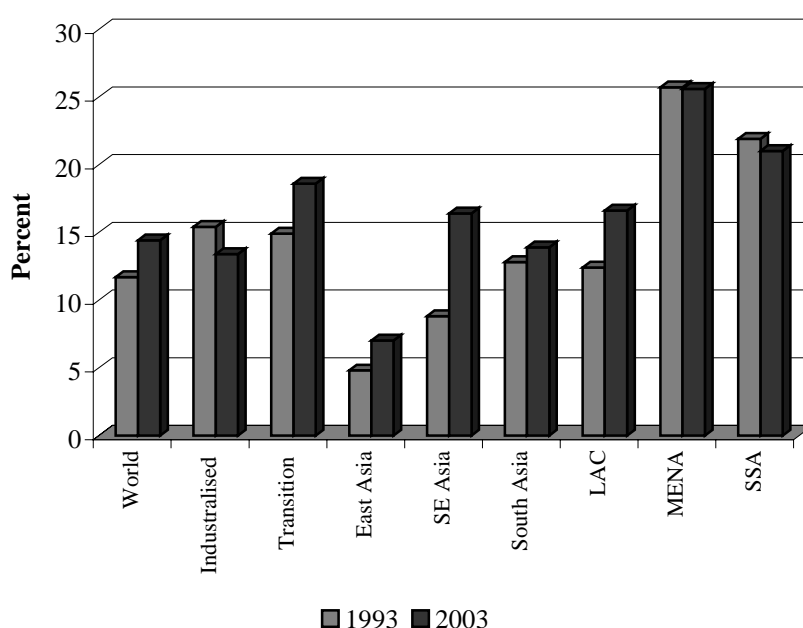
With the challenges facing Africa's youth at all levels of education, it is not surprising that these young people have to struggle to find work in the labour market, where it is especially difficult to get a job in the formal segment of the economy. Failure in making this transition is typically analysed in terms of unemployment, but as discussed in Section 2, this indicator is less relevant in regions like Africa than in the OECD, and therefore, it is also important to consider other outcomes in the labour market.

3.2.1 Youth unemployment in Africa and other indicators of poor labour market outcomes

As displayed in Figure 2 below, sub-Saharan Africa has the highest youth unemployment rate of all regions after the Middle East and North Africa. The rate in SSA did, however, decrease marginally from 21.9 percent in 1993 to 21 percent in 2003 (UNECA 2005a). As a consequence of the East Asia financial crisis and large-scale economic reforms in transition countries, the overall world youth unemployment rate rose over the decade starting in 1993. Though only available for a few African countries as compiled in Table 2, ILO data collected from national labour force surveys indicate a significant heterogeneity in the rate

of youth unemployment at the country-level. For example, the youth unemployment rate in South Africa reaches 55.8 percent implying that over half the youth population has no form of employment. Swaziland has a similar rate of 55.2 percent, while the youth unemployment rate in neighbouring Namibia is reported to be only 10.9 percent.³

Figure 2 – Youth unemployment rates – 1993 versus 2003



Source: ILO (2004a), Table 4. LAC – Latin America and the Caribbean; MENA – Middle East and North Africa, SSA – sub-Saharan Africa

To illustrate the difficulty in relying on the unemployment rate as an indicator of disadvantage in the labour market and the economy in general, we consider its correlation with the poverty rate. Albeit using only a few observations, ILO data (Key Indicators of the Labour Market Version 3) reveals that there is a negative relationship between the poverty and unemployment rates (for the total population). For example, in 1997 the official unemployment rate for the total population in Nigeria was only 3.2 percent, while the poverty rate reached 70.2 percent. Similarly, for Uganda the unemployment in the same year was a relatively low 7.4 percent compared with an extreme level of poverty (82.2 percent). Poor outcomes in labour markets in developing regions like Africa are, therefore, better reflected in terms of underemployment and lack of decent work, though these in principle are difficult to measure.

³ See Key Indicators of the Labour Market Edition 3 CD-ROM produced by the ILO

Another relevant indicator is the inactivity rate, which as argued by O'Higgins (2001) is a more accurate measure of the problem of integrating young people into the labour market. In addition to this measure, Ryan (2001) suggests that it is also important to look at the aggregate level of joblessness, which equals the sum of the unemployed and inactive youth. This indicator thus captures the degree to which young people are both prevented from finding employment and discouraged altogether from participating in the labour market. These indicators do not, however, reflect the quality of employment in other dimensions. For example, young people often face inferior wages and employment conditions, an aspect that is particularly prevalent in the informal sector where a significant proportion of African youth have been absorbed into in recent decades. Due to a lack of data, it is unfortunately difficult to say anything concrete about these issues for individual African countries.

Table 2 – Youth unemployment rates for selected African countries

Country (group – year)	Youth unemployment rate (%)
Lesotho (total - 1997)	47.40
Lesotho (male -1997)	37.90
Lesotho (female -1997)	58.50
Malawi (total - 1987)	0.80
Malawi (male - 1987)	1.60
Malawi (female - 1987)	0.30
Namibia (total - 2002)	10.90
South Africa (total - 2000)	55.80
South Africa (male - 2000)	57.90
South Africa (female - 2000)	53.30
Swaziland (total - 1997)	55.20
Swaziland (male - 1997)	41.70
Swaziland (female - 1997)	48.30
Zimbabwe (total - 1999)	14.00
Zimbabwe (male - 1999)	17.00
Zimbabwe (female - 1999)	10.90

Source: ILO Key Indicators of the Labour Market Version 3

In light of the debate about which indicators are the most appropriate, the challenge for policymakers is whether policies should be based on levels of unemployment, which would then favour those who are not necessarily the most disadvantaged. However, it can also be argued that unemployment amongst the better-educated youth is the consequence of market and institutional failures.

Therefore, policymakers may also wish to target the removal of these inefficiencies in order to improve mobility and allocation of resources in the labour market.

3.2.2 Unemployment and skill mismatch

As we would expect given the theoretical relationship between education and labour market outcomes, the unemployment rates of young people vary with their qualifications. In OECD countries the unemployment rate decreases with the level of education (O'Higgins 2001). On the other hand, in developing regions like Africa it has been argued that the better educated experience higher unemployment rates, which has been called the "educated youth hypothesis" (Leibbrandt and Mlatsheni 2004). The premise is that youth from more privileged backgrounds focus their job search on better paid public sector positions, and are as a consequence willing to "queue" for such jobs and remain unemployed. The poorer educated youth do not have the financial means or support to endure unemployment, and therefore, seek work in lower paid, poorer quality jobs in the informal economy.

This phenomenon of queuing is an example of rent seeking, and as a result, provides excessive incentives for Africa's youth to go to universities (for those who can afford it). However, as a consequence of structural adjustment policies and other economic reforms, there are now few employment opportunities in the African public sector. At the same time, these youths often do not have the appropriate skills for other forms of formal sector employment in industry or service activities, which are also typically undeveloped in African economies. These young people, therefore, end up unemployed or working in the informal economy, with many of them still "queuing" or waiting for a job in the public sector. For example, during the early 1990s, the government of Ethiopia retrenched thousands of public sector workers, reduced new hires, and abandoned the job guarantee for tertiary graduates. The youth were the most adversely affected by these policy changes, and the evidence indicates that rather than entering the informal sector, many of them remained unemployed after graduation (Krishnan et al. 1998). Similar outcomes have been observed in other African labour markets such as in Egypt where the government had also previously provided employment guarantees to graduates, wage floors and other benefits (Assad 1997).

In general, a skill mismatch can occur between the educational qualifications acquired by an individual and what is demanded in the labour market. Boateng (2002) lists the determinants of such a mismatch as: the type and quality of curriculum; career and academic advisory services; admission and evaluation policies in the tertiary sector; and the role of faculty boards and employers' associations in the delivery of education services. In this study the particular experiences of Ghana and Nigeria are presented, two countries where the tertiary

enrolment rates have increased substantially over recent years. For example, in Ghana the total number of tertiary students more than doubled from 21,000 in 1994/1995 to 50,000 in 1999/2000 (Boateng *ibid*). According to 1999/2000 figures presented in Boateng and Ofori-Sarpong (2001), there was an excess supply of Ghanaian graduates in arts/social sciences and agriculture, while there was a shortage of young people with degrees in administration/management, medical/health sciences and engineering/technical subjects. This skill mismatch resulted in graduate unemployment.

Information technology is one skill area that is now essential for young people to gain a foothold in the labour market in developed and increasingly in developing countries. This has been driven by skill-biased technological change and globalization. For example, as reported in Boateng (2004), the proportion of job vacancies in Ghana not requiring IT skills decreased from 99 percent in 1981 to around 55 percent in 2003. Therefore, in order to have the right skills demanded by employers, young Ghanaians must develop some proficiency in computers and associated technologies.

3.2.3 Rural divide and underemployment

In rural areas of African countries, most workers are employed in the agricultural sector either informally or in self-employment (farming), while opportunities in the non-agricultural sector, especially in formal employment are limited (Leibbrandt and Mlatsheni 2004). Figure 3 illustrates the rural-urban divide in Africa in terms of the youth unemployment rate, which indicates that the urban rate is significantly higher than in rural areas in all countries represented in this graph apart from Sao Tome and Principe. The disparity can be large; for example, in Zambia the urban youth unemployment rate reached 54 percent compared with the rural rate of 10 percent (Leibbrandt and Mlatsheni *ibid*). Rural youth unemployment is a problem in some African countries such as Kenya, Mozambique and Sao Tome and Principe.

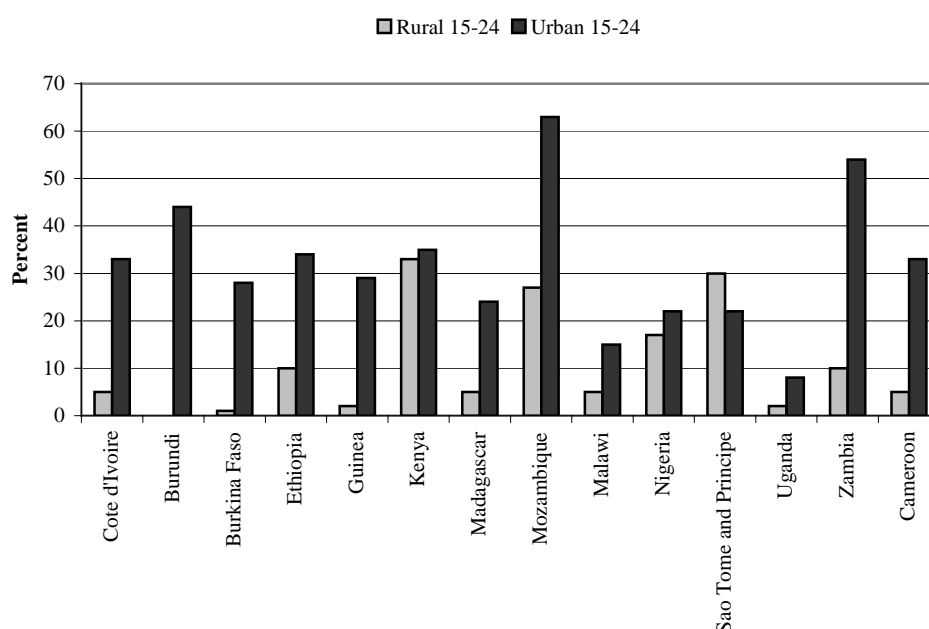
However, these figures disguise the problem of underemployment, which is much more prevalent in rural regions as a consequence of poorer job opportunities. Young people in these areas are not able to remain without work for long periods and often migrate to urban centres in search of employment.

3.2.4 Gender disparities in the labour market

In addition to the rural-urban divide, there are also significant differences in the attachment of young women to the labour market in Africa. For example, in 2000 the adult female labour force participation was 33.8 percent, compared with 49.7 percent for men. This disparity is driven by cultural attitudes about women in the

workforce, gender bias in education as discussed above, and their commitments to unpaid home-based work (Okojie 2003). As a consequence of lower labour force participation, the female youth unemployment rate in Africa in 2003 was 18.3 percent, almost 5 percentage-points below the male rate (ILO 2004a). Some examples of figures (various years) for individual African countries include: 4.9 percent for young females between the age of 20 and 24 in Algeria compared with 33.1 percent for young males in the same age group; and 34.9 percent for young males in Ethiopia in comparison with 16.1 percent for young females (Okojie *ibid*).

Figure 3 – Rural and urban youth unemployment rates in selected African countries



Source: Adapted from Leibbrandt and Mlatsbeni (2004)

However, these figures do not imply that the overall employment situation is better for young women. Rather, it reflects their low participation rates. Moreover, since there are very few opportunities in formal employment, those who actually manage to participate in the labour market mostly end up working in the informal sector. These women are usually self-employed working in retail trade activities such as selling handicrafts, food processing, services and cottage industries. Other unemployed young women turn to prostitution in African urban areas, while in rural areas women are heavily concentrated in agriculture (Okojie 2003).

4 Policy responses for African governments

Based on the overview presented in Section 2 and the specific information provided in Section 3, policy recommendations are proposed below.

4.1 Priorities for the formal education sector

The clear priority for African policymakers is education, which has longer-term implications for human capital accumulation and hence economic growth. Moreover, formal education occurs in the key phase of a young person's life when they are the most receptive to developing their intellect and skills. Some of the main policy issues for the formal education sector in Africa are persisting barriers to access, low quality of education, poor retention rates, financing and skill mismatch (Leibbrandt & Mlatsheni 2004).

4.1.1 Improve access to and quality of education

As noted in the discussion above, Africa has made some substantial improvements in the delivery of basic education as reflected in the improving literacy rates across the continent. Nonetheless, there remain many challenges for African governments, especially balancing efficiency and equity objectives. Efficiency arguments imply that governments should allocate resources to where social returns are the highest, while to address problems of inequitable access to education, investments could be targeted at the most disadvantaged segments of society.

With regards to more specific recommendations, there is still much to be done in improving access to universal primary education, particularly for girls, disabled children and pupils from indigenous communities (World Bank 2005b). Moreover, there are, as highlighted above, particular problems in translating basic education into achievements at secondary and tertiary levels. To achieve these goals will involve reducing the costs of education, which includes abolishing school fees and ensuring that uniforms and other supplementary costs are affordable or free as has been done in Sri Lanka for some decades. Other measures to increase incentives on the demand side consist of providing free meals and payments to poor families for attendance as experimented with in the PROGRESA programme in Mexico (World Bank *ibid*). To facilitate girls' education, Leibbrandt and Mlatsheni (2004) propose that African governments need to improve parental involvement in school administration. Another suggestion is to develop female role models, which can be provided in fact by having enough female teachers in the education system.

On the supply side, investment in infrastructure, textbooks, learning materials, IT equipment, and foremost, teachers is essential for improving access and quality of education. Proximity to schools continues to be a major constraint for pupils in poorer, rural regions, and thus, governments need to expand the number schools in such areas. Perhaps the biggest constraint on the continent is the supply of teachers, especially in light of efforts to reach universal primary education as part of the framework of the Millennium Development Goals (specifically MDG 2). For example, according to Nilsson (2003), Africa will need 3 million extra teachers to meet this goal by 2015 assuming that the teacher-pupil ratios remain at current levels. HIV/AIDS has made this challenge that much more difficult for Southern African countries. To attract more teachers, African governments need to offer more training courses alongside improvements in pay and work conditions so that the profession attracts and holds on to the best-trained teachers, which is a particular problem in rural areas.

There is still much to be done in Africa in improving the transition from primary to secondary school. Therefore, African policymakers have to expand their focus from primary education alone to a broader approach that encompasses secondary schooling to ensure that pupils stay on to higher levels. Though primary education is an essential starting point, young people in developing countries need more advanced and specific skills to provide them with the capacity to work in an ever more globalized world.

4.1.2 Financing education

More resources are needed in the education sector, while at the same time investments also have to be made more efficiently to maximise the returns from education. This will involve enhancing capabilities in the administration of education in addition to making all actors accountable for investment decisions and allocation of funds. Public expenditure tracking systems are a useful tool to achieve this aim as demonstrated in countries like Uganda.

In light of fiscal constraints facing African governments, public-private partnerships (PPP) is one approach to overcome shortfalls in the education sector, a recommendation also made in the Economic Report on Africa – 2005 by UNECA (2005a). An additional benefit of PPPs is that it enhances the linkages between the formal education sector and the private sector. This can in turn ensure that curricula are demand-driven, helping to improve the skill match between school leavers and the demands of employers. In this respect, PPPs can be also valuable in developing vocational training programmes and other forms of ALMPs that require input from the private sector.

4.1.3 Improve the match between skills and labour demand

While the focus of policy in African countries has been on basic education and primary schooling, it is also apparent that not enough has been done to develop the skills of young people. Skill mismatch is a major concern in Africa where educated youths acquire skills that are not demanded by the labour market. One example of this is the “educated youth unemployment hypothesis”, already discussed in Section 3.

One approach to tackle the problem of a skill mismatch is to combine formal education with work-based training. As discussed in O’Higgins (2001), this combination can either be sequential, where training follows the completion of school, or it can be undertaken concurrently as it is done in Germany. The German dual system has been widely proclaimed as an effective scheme, which consists of both a formal education and training with an employer. It has been argued that the dual system is successful in assisting young people to make the transition from school to work. However, there are also problems with the rigidities imposed by the approach in Germany as it forces young people early on into a specific career path, which may later prove to be inappropriate for the person or in terms of employers’ demands (Ryan 2001). This adds to the mobility problems in the German labour market. Nevertheless, it has potential in developing countries, as illustrated in Box 1, which presents the case of a dual system approach in Egypt.

4.2 ALMPs to address poor labour market outcomes in Africa

While it is important for African policymakers to consider the potential for active labour market policies to tackle youth unemployment, the point made by Bechterman et al. (2004) is worth stating here: “The policy implication...is that earlier interventions at the schooling stage are likely to be more effective than trying to remedy education failures through youth training.” (Bechterman et al., p.34). However, with the formal education system failing Africa’s youth, these individuals have to overcome considerable obstacles and difficulties in making the transition to the labour market. Policymakers can, therefore, in such situations turn to a number of shorter-term policy measures to tackle youth unemployment, especially for those who have been long-term unemployed.

Governments cannot, however, expect positive outcomes from such programmes unless the general economic conditions are conducive for job creation. If the economy is stagnant, it is very difficult to generate jobs for young people, even if their wages are subsidised or if they have acquired useful skills from a training programme. Related to this constraint is whether the ALMP is suited to the type of unemployment experienced by youth. For example, if it is

just a cyclical outcome, ALMPs may just be an expensive exercise to tackle unemployment that would correct itself once the business cycle is on a positive trend. On the other hand, if unemployment is a structural problem, ALMPs may alone not be successful unless other far more reaching reforms are undertaken to remove the sources of rigidities in the labour market. Finally, governments also need to be patient since the potential benefits of such programmes may only emerge over the medium to long-term.

Box 1 – The Mubarak-Kohl initiative in Egypt

The Egyptian leader Hosni Mubarak and the then German Chancellor Helmut Kohl agreed upon an initiative to cooperate on the implementation of a dual vocational education system in Egypt based on the German model. This project was established in 1991 with the aim of bringing together the public and private sector to provide training for young people. By including employers and enterprises, training focuses on vocational and technical skills demanded by the Egyptian labour market. In the scheme, students spend two days a week at school and four days with an enterprise for practical training. The duration of the whole programme is three years. Representatives of the Egyptian private sector, the Ministry of Education, and experts from Germany jointly developed the theoretical and practical curricula.

During the period 1995-2002, the project expanded to cover most regions in Egypt and some 20 cities in both rural and urban areas. Overall, the initiative is considered in Egypt to be a great success: since 1994, over 14,500 young people have been trained in 29 trades with the active involvement of local enterprises

Source: Kanyenze et al. (2000)

4.2.1 ALMPs for wage employment

As presented in Section 2.2.3, the first category of ALMPs consists of public works programmes, employment services such as assistance with job placement, labour market training that includes vocational and remedial training, wage subsidies, and special measures for disadvantaged groups such as people with disabilities, and more relevant for this paper, youth. We concentrate on three of these in the context of Africa: public works programmes; skills training; and job search assistance.

4.2.2 Public works programmes

One ALMP that has been implemented in a number of African countries is public work programmes. Though the main objective of these programmes is

usually to provide some sort of safety net, this type of ALMP can also assist unemployed young people to gain experience and help them remain attached to the labour market. Public works programmes that aim to provide short-term employment at low wages for workers who lack skills are particularly relevant for young people (Subbarao 2003). The programme usually involves labour-intensive projects such as road construction, maintenance, irrigation infrastructure, reforestation, and soil conservation (Subbarao *ibid*). Therefore, such projects can also be used to meet other development objectives, especially in terms of infrastructure. For example, youth in Ghana have been employed in reforestation and urban sanitation programmes, while in Nigeria youth took part in projects on government agricultural plantations (Nwuke 2002). As described in Box 2, the implementation of a public works programme in Senegal is a good illustration of how such an approach can be used in Africa to create jobs for unemployed youth.

Box 2 – Public works programmes in Senegal

With the assistance of the World Bank and the African Development Bank, the Senegalese government set up in 1989 a US\$33 million public works programme that targeted the growing number of unemployed youth. The main objectives of the programme, which was administered by the Agence pour l'Execution de Travaux d'Interet Public contre le Sous-emploi (AGETIP), were to provide short-term employment to these young people through labour-intensive public works projects such as construction, rehabilitation and maintenance of public services, and provision of essential services. The work was sub-contracted out to small and medium-enterprises. During the first phase of the programme, around 80,000 jobs were created for young people in 416 projects in small-scale enterprises. Overall, AGETIP has implemented 3,226 projects resulting in the creation of 350,000 temporary jobs annually. More importantly, the projects also led to the establishment of 6,000 permanent jobs, an outcome that is not usually the overriding aim of a public works programme.

The success of this public works programme in Senegal demonstrates that it is essential to have clear objectives, strong political support, and assistance from development partners. The main criticisms of the programme are that it was largely implemented in urban areas, and therefore, did nothing to address the rural-urban employment divide, and secondly, there was no training for young participants.

Source: Sarr (2000)

The overriding constraints in implementing public work programmes in Africa are: capacity to provide funds for the project; the selection of the participants; and the monitoring of the project (Subbarao 2003). These capacities can be

bolstered through the involvement of NGOs, donors and international organisations, as shown in the Senegalese example.

4.2.3 Skills training

As argued in this paper, young people in Africa are more likely than not to finish school without the appropriate set of skills demanded by employers. In response to this outcome, governments can provide public-funded training or financial support for private provision of such measures, which can focus on either general training or more specific vocational skills. The Chilean Joven Programme provides an example of such a programme that tackles the mismatch between the skills of young people and the demands of employers. It also a good illustration of how private provision can be utilised to improve the quality of the training courses through the development of a competitive environment. This example is presented in more detail in Box 3.

Box 3 – The Chilean Joven programme

Since the 1980s the Chilean economy has been significantly liberalised, which resulted in a large increase in economic growth and a subsequent drop in the unemployment rate -from 20 percent in the early 1980s to 4-5 percent in the 1990s. Young people did not, however, benefit to the same extent as adults, resulting in a youth unemployment rate double that found in the adult population. The main causes of this crisis were the restructuring of the economy and the high rate school drop-outs.

To improve the transition from school to the labour market, the Chilean government launched the Joven programme, which was established and coordinated by the Ministry of Labour and Social Assistance. The overall objective of this programme was to improve the match between the skills young people acquired and the demands of the newly liberalised economy. To achieve this, the Joven programme developed decentralised training, which gave the participants basic skills, though without certification. The providers of the training courses were selected on the basis of a competitive tender.

Evaluations of the programme indicate that it has been successful in improving employers' perceptions of young people through the focus on skills demanded by the market. According to results presented in Godfrey (2003), almost 60 percent of participants found a job at the end of the programme, compared with less than 40 percent for the control group consisting of unemployed youth not enrolled in the Joven programme. The key factors behind the success are the decentralisation of the training administration and the participation of the private sector. The programme has since been implemented in Argentina, Colombia, Peru and Uruguay, and according to evaluations of these schemes, they have all been successful in terms of labour market outcomes.

Source: Bechterman et al. (2004); Godfrey (2003)

An innovative approach to facilitate the provision of training for young people is a voucher system, which aims to overcome information asymmetries present in the market for such services. In such a scheme, vouchers are issued to the unemployed youth, who can then personally select a provider of training based on their needs and objectives rather than having them chosen by a bureaucrat. The use of vouchers for training has been carried out for sometime in the UK and more recently in Germany. In Africa, the only country to implement such a programme is Kenya, and though its primary purpose is not to provide training for unemployed youth but rather to assist those already employed, it is nonetheless a useful illustration of such an approach (see Box 4).

Box 4 – Jua Kali in Kenya – training vouchers for “workers under the sun”

Under the auspices of the Kenya Micro and Small Enterprise Training and Technology Project (MSETTP), Jua Kali Voucher Programme was established in 1997. Jua Kali means “under the hot sun” in Kiswahili, reflecting the nature of the work in the segment of the labour force targeted by this programme. The objective of the vouchers is to give the opportunity for recipients to purchase training in an open market, where there is competition between public and private providers. Such an approach should improve the quality of training and bring down the costs, while at the same time ensuring a better match between the participant and the training course.

The Kenyan voucher programme targeted established enterprises and employees in order to identify businesses that have the most potential to grow and generate employment. This rule was relaxed for women who were also eligible as start-up entrepreneurs, which helped encourage their participation in the scheme.

During the period 1997-2001, some 37,666 vouchers were issued to entrepreneurs and employees in micro and small businesses. Participants paid only 10 percent of the cost of the voucher with the government subsidising the remaining 90 percent. Master craftsman were the major provider of training, responding to demand from their clients. While the Jua Kali voucher scheme did not focus entirely on youth, the majority of those trained were young and disadvantaged.

Though the voucher programme has not been subject to a rigorous empirical evaluation, it is generally thought to have been a success. There is evidence that both enterprises and employees benefited from programme in terms of job creation, productivity and business profits. However, the programme was complex and costly to establish, and it has proven to be difficult to phase out the subsidisation of the vouchers.

Source: Adams (1997); Godfrey (2003)

4.2.4 Job search assistance

As a consequence of unmet aspirations, skill mismatch and the barriers in the labour market, many young people stop actively searching for a job. In this situation, job search assistance (JSA) could help encourage such African youth through improving motivation and the match between the skills of young unemployed people and the vacancies available in the labour market. JSA includes activities like writing job applications and curriculum vitas, and preparing for interviews. It is also the least costly of all ALMPs, and evaluations of this programme suggest that it generates consistently positive results (Martin 2000). This type of assistance will be more successful when the macroeconomic conditions are strong, and in this respect, JSA will have little impact when unemployment is structural and labour demand low (Bechterman et al. 2004).

A South African survey revealed, for example, that 39 percent of unemployed youth stopped searching for employment (see Kanyenze et al. 2000, du Toit 2003). The results indicated that 47.1 percent of the respondents gave up because they found no job opportunities where they lived. Another 23.5 percent said they could not afford transport fares to look for work. Of those South African youth surveyed, 57.6 percent had enquired in the previous four weeks about a job at workplaces, farms and factories or called other possible employers, while only 6.9 percent had registered at employment agencies or trade associations. The survey illustrates the discouragement of unemployed African youth and the reasons behind their inactivity, a situation where JSA could potentially be effective.

4.2.5 Policies to promote self-employment

This category of ALMPs encompasses measures that are implemented to assist young people establish their own businesses. This set of programmes has some potential in Africa where self-employment could be an important generator of jobs and ultimately economic growth. While it is often argued that young people lack the experience and skills to become entrepreneurs, they are also capable at the same time of developing innovative and creative ideas. However, young budding entrepreneurs face considerable barriers and obstacles when establishing a successful business. To overcome these challenges they require help with training, mentor support, access to credit and office facilities, support when expanding a business and developing networks (O'Higgins 2001). Getting finance for a start-up business is a particular challenge for young entrepreneurs. One solution to this constraint is microcredit, which can be developed to target young people who wish to start their own business. Youth Business International (YBI)

is a more general scheme set up by a number of development partners to assist unemployed and disadvantaged youth in becoming self-employed. The experiences of YBI are outline in Box 5.

Box 5 – Youth Business International helping young people become entrepreneurs

Youth Business International (YBI) was set up to bring together the global business community in assisting unemployed and disadvantaged youth in becoming entrepreneurs and setting up their own business. As stated by YBI, “There are currently over 300 million unemployed and underemployed young people aged 18 to 30 years around the world. At least 20 percent of these young people have the potential to become entrepreneurs, less than 5 percent do. One way of tackling this unacceptable waste of energy and talent is to help young people into self-employment.” (Chambers and Lake 2002, p.vii). Thus, YBI sees self-employment as a positive role model for young people, and in particular, as an opportunity for unemployed youth.

YBI is based in the UK and was developed in the 1980s with the help of the Prince of Wales International Business Leaders Forum. Corporations, foundations, governments, banks and multilateral donors also fund the scheme. The three core principles of the YBI are: assist disadvantage young people; provide them with financial support and business mentors; and finally, to facilitate access to the YBI’s local and national business network.

There are now 12 advanced programmes running in Argentina, Barbados, Canada, Guyana, Hungary, India, Sri Lanka, Trinidad and Tobago, the UK, and the only two African countries, Nigeria and Mauritius. Pilot schemes, however, have commenced in nine further countries, including Gambia, Ghana, and Swaziland. The results from the various YBI programmes are quite impressive – over 50,000 disadvantaged youths aged between 18 and 30 have established their own business with the assistance of the YBI, with 60 percent of them still operating in their third year.

Source: Chambers and Lake (2002)

In recent decades there has been a large expansion in the informal sector, creating many opportunities for the self-employed. However, the conditions for enterprises and workers outside the formal economy are usually worse in terms of pay, health and safety regulations, hours worked, job and income security. Therefore, promoting self-employment in the informal sector poses a potential trade-off between job creation and job quality. As argued in ILO (2004b), any development of business opportunities for young people must be carried out in conjunction with improvements in the quality of employment, or as often stated by the ILO, in the decency of work. Some of the important aspects of achieving

“decent work” include improving access to insurance and social protection, developing health and safety standards, encouraging worker representation and freedom of association, and eliminating all forms of discrimination, exploitation and child labour (ILO 2002a). However, it must also be kept in mind that by achieving such goals, the very conditions that promote self-employment are discouraged, thereby reducing incentives for entrepreneurs to set up business or expand operations in the first place.

4.2.6 Monitoring and evaluating ALMPs

Given the range of potential measures, it is essential to monitor and evaluate ALMPs in order to understand their effectiveness in terms of employment outcomes and changes in earnings for the participants, and where possible, done as a comparison to similar individuals who did not participate in the same (or any) programme.

In this respect, there is now a mushrooming literature on the evaluation of ALMPs in the context of the OECD, especially for the United States, UK and some European countries, and more recently, in Latin America. In the US, social experiments have also been used to test the impact of particular programmes. Without the advantage of random assignment to the treatment and control groups, non-experimental evaluation techniques require detailed data on participants and non-participants or other strong identification assumptions. Heckman et al. (1999) provides an overview of the methodology and the key results found in empirical work. Unfortunately, the findings from these studies are at best mixed, but more often negative in terms of the impact of programmes on ex-post employment probabilities and earnings. This includes the effects of specific measures for youth, such as public works programmes, wage subsidies, and training programmes. As reported in Martin (2000), the evaluation of youth programmes reveals “One of the most disappointing conclusions from the evaluation literature is that almost all evaluations show that special measures are not effective for disadvantaged youths.” (Martin *ibid*, p.95). Of course these results are for OECD countries, and due to the lack of empirical evaluations of ALMPs in developing countries, it is difficult to extrapolate their implications to regions like Africa.

The literature usually focuses on the impact of training or education on employment outcomes or earnings, but it is also essential that African governments undertake a broader cost-benefit analysis to ascertain which policies should be implemented. Such an analysis of youth employment policies in African countries has to also include the potential negative impact of unemployment on other dimensions such as health, conflict, civil strife and violence in the community. Rigorous empirical analysis is ultimately very data intensive, and therefore, governments have to improve data collection, which in turn requires planning and monitoring of programmes targeted at youth, in

addition to the political willingness to evaluate potentially sensitive outcomes of public expenditure.

4.2.7 Policies need to be simple, cost-effective and targeted

Though the empirical evidence is not overwhelmingly unambiguous, the bigger constraint for African governments is the cost of implementing an active labour market policy. The figures available for OECD countries indicate the potential costs of such programmes. The largest spender on ALMPs is Sweden, where the cost of the measures amounted to 2.1 percent of GDP in 1997, followed by Denmark with 1.8 percent (Martin 2000). The Netherlands and Ireland allocated 1.7 percent of GDP to ALMP measures, which was also well above the OECD average of just over 0.8 percent. Africa already invests around 3.3 percent of GDP in education, and therefore, given the fiscal constraints faced by governments, they are not in a position to allocate funding for ALMPs to such an extent that it reaches the levels found in the OECD. The challenge is, therefore, to develop ALMPs that are simple to implement and cost-effective in the African setting.

One more instructive result from the literature is that closely targeted ALMPs are more effective than non-targeted ones. This means that policies have to focus on young people who are the most disadvantaged, not just policies for the general population of unemployed people. Furthermore, it is generally proposed that the best set of ALMPs for young people consists of a combination of subsidised work experience and vocational training (O'Higgins 2001). Vocational training alone is considered to be less effective than such a combination because young people gain skills outside the labour market, which may prove to be inappropriate or not demanded by employers. Grubb (1999) provides a list of the commonalities of successful education and training programs targeted at disadvantaged youth. In summary, the five key elements reported in Grubb (*ibid*) are:

1. A link between the local labour market and programmes, focusing on areas which offer job growth and good employment prospects for young people;
2. Programmes need to consist of a combination of education, skills and on-the-job training;
3. Measures have to develop further education opportunities that can be undertaken after completing the ALMP;
4. Support services have to be available to assist young people and their families;
5. Monitoring and evaluation is essential in order to improve the quality and effectiveness of programmes.

An important part of the policy agenda for African governments is a national youth employment strategy for youth, which covers a broad set of key issues including education and training, employment and unemployment, but also health, public participation and crime prevention. These other concerns are important since many of them are interrelated, either as causes of unemployment or outcomes thereof. The implementation of such policies and strategies can be done with the assistance from donors and international organisations. Moreover, governments need to embed these issues in poverty reduction strategy papers (PRSPs), which have been adopted in a number of African countries. According to ECA (2005), however, not enough has been done in the PRSPs for youth and a major challenge is, therefore, for policymakers to incorporate these dimensions in such frameworks to tackle poverty.

5 Conclusion

The failure for Africa's youth to gain a foothold in the labour market is a major crisis facing many countries on the continent. This problem is reflected in the youth unemployment rate, which reached 21 percent in 2003. The main causes of this situation include the poor conditions for economic growth and job creation, but also results from certain issues that specifically affect young people, such as a lack of education and skills, which is the focus of this paper. In terms of the formal education sector, African governments need to improve the transition to secondary and higher levels of schooling and to shift the focus of curricula to subjects that are demanded by employers. Policy options also need to be considered by African policymakers for young people who do not achieve a successful transition to the labour market. For this purpose, more targeted and cost-effective active labour market policies are needed to help mobilise the unemployed and disaffected youth across Africa. To ignore the problems facing young Africans will only result in future economic and social challenges that will dwarf the current predicament on the continent.

6 References

Adams, A.V. (1997) *Assessment of the Jua Kali Pilot Voucher Program*, www.worldbank.org/education/economicsec/finance/demand/case/kenya/juakali.htm

Appleton, S. (2000) "Education and health at the household level in sub-Saharan Africa," *CID Working Paper*, No.33.

- Appleton, S., Bigsten, A., and D.K. Manda (1998) "Educational expansion and economic decline: returns to education in Kenya, 1978-1995," *CSAE Working Paper*, WPS/99-6.
- Aromolaran, A.B. (2004) "Wage returns to schooling in Nigeria," *African Development Review*, Vol.16, No.3, pp.433-455.
- Assad, R. (1997) "The effects of public sector hiring and compensation policies on the Egyptian labour market," *World Bank Economic Review*, Vol.11, No.1, pp.85-118.
- Auer, P., Efendioälu, Ü., and J. Leschke (2005) *Active Labour Market Policies around the World – Coping with the Consequences of Globalization*, ILO, Geneva.
- Axmann, M. (2004) "Facilitating labour market entry for youth through enterprise-based schemes in vocational education and training and skills development," *SEED Working Paper*, No.48.
- Bechterman, G., Olivas, K. and A. Dar (2004) "Impacts of active labor market programs: new evidence from evaluations with particular attention to developing and transition countries," *World Bank Social Protection Discussion Paper*, No.0402.
- Becker, G. (1964) *Human Capital*, National Bureau of Economic Research, New York.
- Bennell, P. (1996) "rates of return to education: does the conventional pattern prevail in sub-Saharan Africa?" *World Development*, Vol.24, No.1, pp.183-199.
- Boateng, K. (2002) "Higher education and the labour market: a logical framework for policymakers in Africa's education sector," *Economic and Social Policy Division Working Paper*.
- Boateng, K. (2004) "Youth and ICT skills in African labour markets, with particular reference to Ghana," *Paper presented at the 3rd Annual Conference of the African Youth Foundation*, 17-19th June, Frankfurt, Germany.
- Boateng, K. and E. Ofori-Saprong (2001) "An analytical study of the labour market for graduates in Ghana," *Ghana National Council for Tertiary Education (NCTE)/World Bank Education and Training Project Report*, Accra, October.
- Chambers, R. and A. Lake (2002) "Youth Business International: bridging the gap between unemployment and self-employment for disadvantaged youth," *ILO Skills Working Paper*, No.3.
- du Toit, R. (2003) "Unemployed youth in South Africa: the distressed generation?," *Paper presented at the Minnesota International Counselling Institute*, 27 July – 1 August 2003.

Freeman, R.B. (1986) "Demand for education," *in* Ashenfelter, O.C. and R. Layard (1986) *Handbook of Labor Economics*, Vol.1, Elsevier/North Holland, Amsterdam.

Godfrey, M. (2003) "Youth employment policy in developing and transition countries – prevention as well as cure," *World Bank Social Protection Discussion Paper*, No.0320.

Grubb, W.N. (1999) "Lessons from education and training for youth: five precepts," *in* *Preparing Youth for the 21st Century: the Transition from Education to the Labour Market*, OECD, Paris.

Heckman, J., Lalonde, R., and J. Smith (1999) "The Economics and Econometrics of Active Labour Market Programs," *in*: Ashenfelter, A. and D. Card (eds.) *Handbook of Labor Economics*, pp.1865-2097, Elsevier, Amsterdam.

ILO (2002a) "Decent work and the informal economy," Report of the Director-General, International Labour Conference, 90th Session, Report VI, ILO, Geneva.

ILO (2002b) *Women and Men in the Informal Economy: A Statistical Picture*, ILO, Geneva.

ILO (2004a) *Global Employment Trends for Youth*, ILO, Geneva.

ILO (2004b) *Improving Prospects for Young Women and Men in the World of Work – A Guide to Youth Employment*, ILO, Geneva.

Kanyenze G., Mhone G., and T. Sparreboom (2000) "Strategies to Combat Youth Unemployment and Marginalisation in Anglophone Africa," *ILO/SAMAT Discussion Paper*, No.14.

Korenman, S. and D. Neumark (1997) "Cohort crowding and youth labor markets: a cross-national analysis," *NBER Working Paper*, No.6031.

Krishnan, P., Selassie, T.G. and S. Dercon (1998) "The urban labour market during structural adjustment: Ethiopia 1990-1997," *CSAE Working Paper*, WPS/98-9.

Krueger, A.B. and M. Lindahl (2001) "Education for growth: why and for whom?" *Journal of Economic Literature*, Vol.39, No.4, pp.1101-1136.

Lechner, M., Miquel, R., and C. Wunsch (2004) "Long-Run Effects of Public Sector Sponsored Training in West Germany," *Discussion Paper*, No.2004-19, Department of Economics, University of St.Gallen.

- Leibbrandt, M. and C. Mlatsheni (2004) "Youth in Sub-Saharan labour markets," *African Development and Poverty Reduction: The Macro-Micro Linkage Forum Paper 2004*.
- Lucas, R.E. (1988) "On the mechanics of economic development," *Journal of Monetary Economics*, Vol.22, pp.3-42.
- Martin, J.P. (2000) "What works among active labour market policies: evidence from OECD countries' experiences," *OECD Economic Studies*, No.30, 2000/I.
- Mincer, J. (1958) "Investment in human capital and personal income distribution," *Journal of Political Economy*, Vol.66, pp.281-302.
- Mincer, J. (1974) *Schooling, Earnings, and Experience*, Columbia University Press, New York.
- Nwuke, K. (2002) "Youth and Employment in Africa," Paper presented at the *Youth Employment Summit*, September 7-11, 2002, Alexandria, Egypt.
- Nilsson, P. (2003) "Education for all: teacher demand and supply in Africa," *Education International Working Paper*, No.12.
- Ogbu, O. and G. Ikiara (1995) "The crisis of urbanisation in sub-Saharan Africa," *Courier*, Vol.149 (Jan-Feb), pp.52-59.
- Okojie, C.E.E. (2003) "Employment creation for youth in Africa: the gender dimension," Paper prepared for the *Expert Group Meeting on Jobs for Youth: National Strategies for Employment Promotion*, 15-16 January, Geneva, Switzerland.
- O'Higgins, N. (2001) *Youth Unemployment and Employment Policy*, ILO, Geneva.
- Pissaridies, C.A. (2000) "Human capital and growth: a synthesis report," *OECD Development Centre Working Paper*, No.168.
- Psacharopoulos, G. (1994) "Returns to investment in education: a global update," *World Development*, Vol.22, No.9, pp.1325-1343.
- Psacharopoulos, G. and H.A. Patrinos (2004) "Returns to investment in education: a further update," *Education Economics*, Vol.12, No.2, pp.111-134.
- Quiggin, J. (1999) "Human capital theory and education policy in Australia," *Working Paper*.
- Romer, P. (1986) "Increasing returns and long-run growth," *Journal of Political Economy*, Vol.94, No.5, pp.1002-1037.
- Ryan, P. (2001) "The school-to-work transition: a cross-national perspective," *Journal of Economic Literature*, Vol.39, No.1, pp.34-92.

- Sarr, M. (2000) "Youth employment in Africa: the Senegalese experience," *Background Paper No.3*, UNO-ILO-World Bank Meeting on Youth Employment, New York, 25th August 2000.
- Schultz, T.W. (1961) "Investment in human capital," *American Economic Review*, Vol.51, pp.1-17.
- Sen, A. (2000) *Development As Freedom*, Oxford University Press, Oxford.
- Subbarao, K. (2003) "Systemic shocks and social protection: role and effectiveness of public works programs," *World Bank Social Protection Discussion Paper Series*, No. 0302.
- Topel, R. (1999) "Labor markets and economic growth," In Ashenfelter, O.C. and D. Card (eds.) (1999) *Handbook of Labor Economics*, Vol.3C, Elsevier North-Holland, Amsterdam.
- UNDP (2004) *Human Development Report 2004 – Cultural Liberty in Today's Diverse World*, UNDP.
- UNECA (2005a) *The Economic Report on Africa 2005 – Meeting the Challenges of Unemployment and Poverty in Africa*, Economic Commission for Africa, Addis Ababa.
- UNECA (2005b) *The Millennium Development Goals in Africa: Progress and Challenges*, Economic Commission for Africa, Addis Ababa.
- UNESCO (2005) *Global Education Digest 2005 – Comparing Education Statistics Across the World*, UNESCO Institute for Statistics, Montreal.
- Weiss, A. (1995) "Human capital vs. signalling explanations of wages," *Journal of Economic Perspectives*, Vol.9, No.4, pp.133-154.
- World Bank (2004) *World Development Indicators 2004*, World Bank, Washington.
- World Bank (2005a) *World Development Indicators 2005*, World Bank, Washington.
- World Bank (2005b) *World Development Report: A Better Investment Climate For Everyone*, World Bank, Washington.