

ESW Concept Note

February 1, 2005

Youth in Africa: Study on Poverty and Labor Market Opportunities

Introduction

1. Youth is an emerging development issue at the World Bank. As the institution has centered its attention on the MDGs, improving outcomes for children and youth – the groups most directly related to achieving these development goals – is a growing priority.
2. According to the ILO in 2002, youth made up 41 per cent of the world's unemployed. Young workers everywhere invariably have much higher rates of joblessness and much lower earnings than older workers. Youth unemployment and underemployment represent a growing concern, with harmful economic and social implications, both immediate and for the long run. Transition from school to work and the effects of early entry in the labor market (child labor) needs specific attention.
3. Several countries in the region have identified youth employment as an important challenge in their development agenda particularly as these relate to the issue of skills development, the growth agenda and the empowerment agenda. This interest is reflected with on going ESW and the present and proposed operations in these countries.
4. The goal is to support programs to achieve MDG for poverty reduction, particularly affecting the youth groups (15-24 years). Given such widespread youth unemployment, and the difficulties faced by youth in transitioning to the labor market, it is essential to examine the constraints faced by this group to improve their labor market prospects, and consequently their living conditions. This demographic bulge of youth arose from the high population growth rate of the last 30 years in Africa means that youth will become either a major resource for development, or potentially a major problem for the country.

Objectives

5. County case studies will be carried out in Ethiopia, Rwanda, Burkina Faso and Tanzania. The objectives of these case studies are:

- (a) To conduct a country assessment of youth difficulties in the labor market. This work will include, the development of indicators for youth in the labor market. These indicators will be disaggregated across sectors, gender and age with particular focus on the transition from school to work.

- (b) To enhance our understanding of the causes and consequences of youth difficulties in the labor market. Both demand and supply side factors, as well as existing labor market failures will be assessed. The importance of education, training and skills in realizing the MDGs will be analyzed. The study will also tackle issues related to the transitions from school to work for different groups of youth.
- (c) To identify policy options and interventions to improve, skills, education, training and employment opportunities.

The results will provide empirical grounding for policy and intervention options for youth-specific programs. The cross country comparison of the several individual empirical studies will also contribute to filling the knowledge base on youth in the labor market in SSA in general.

Policy relevance and likely impact on clients

6. Africa's 135 million youth (15-24 years—or 20% of the population) form a formidable asset for its economic transformation. Today, however, this is not realized because of high unemployment and low skills base of this age cohort. Against the backdrop of the AIDS pandemic, these groups are even at greater risk of becoming breadwinners and heads of households with the high adult mortality in many parts of the region. A snapshot of the labor force participation rates recently reported in a study by Leibbrandt and Mlatsheni (2004) indicates large variation across countries in Africa, and across urban and rural areas, given in Table 1 below. The ratio of youth to adult labor force participation rates varied from a low of 0.29 in Uganda to 0.94 in Ghana. On average for the 15 African countries studied indicates a median participation of 15-24 year olds at around 52% versus about 85% for the 25-54 year old cohorts.

Table 1: Labor force participation rates by location and age, data for 1994-2001

	Rural		Urban		Total		
	15-24	25-54	15-24	25-54	15-24	25-54	Youth/Adult Age Ratio
Cote d'Ivoire 1998	0.74	0.92	0.43	0.8	0.58	0.86	0.67
Burundi 1998	0.74	0.99	0.26	0.8	0.71	0.97	0.73
Burkina Faso 1994	0.92	0.96	0.52	0.82	0.83	0.93	0.89
Ethiopia 1998	0.2	0.58	0.4	0.76	0.24	0.61	0.39
Ghana 1998	0.77	0.84	0.92	0.96	0.83	0.88	0.94
Guinea 1994	0.94	0.97	0.56	0.86	0.77	0.94	0.82
Kenya 1997	0.25	0.59	0.56	0.85	0.31	0.65	0.48
Madagascar 2001	0.84	0.97	0.58	0.9	0.78	0.95	0.82
Mozambique 1996	0.31	0.61	0.56	0.9	0.37	0.67	0.55
Malawi 1997	0.22	0.58	0.17	0.71	0.22	0.6	0.37
Nigeria	0.28	0.7	0.29	0.86	0.29	0.76	0.38
Sao Tome and Principe 2000	0.52	0.77	0.39	0.7	0.44	0.73	0.60
Uganda 1999-2000	0.17	0.63	0.28	0.79	0.19	0.66	0.29
Zambia 1998	0.59	0.89	0.36	0.74	0.49	0.84	0.58
Cameroon 2001	0.59	0.91	0.38	0.8	0.5	0.86	0.58

Source: M. Leibbrandt and C. Mlatsheni (2004) Youth in Sub-Saharan Labor Markets. The World Bank

7. Since youth in Africa comprise a big proportion of all unemployed, a framework for policy on youth development that is grounded on empirical data of their living standards, skills and education gap, and health could be developed more strategically. The youth of Africa are likely to be an immediate and powerful agents of change, if such human resources are marshaled in a strategic way.

Study methodology

8. **Scope, methodology** To address the business objective of this proposal, one paper for each country will be prepared. The paper will cover labor market assessment, an analysis of the determinants, and policy recommendations. These different sections will draw on existing literature and will be linked directly to on going ESWs in the specific countries. A regional synthesis of the findings across country cases will be prepared.

9. **Country case studies.** Each country case study will cover four main areas:

(a) Labor market assessment

This assessment will draw from existing studies on the labor market, including the WB Africa Region's regional study on labor stocktaking and the ILO and other academic work. It will focus on youth employment and will have the following components.

- Review of trends and outcomes (employment, unemployment: duration, incidence, underemployment, labor force participation; wage distribution). Using available micro data, the review will disaggregate this trends by region, sector, age, skill, ethnicity, etc.
- Review of basic education outcomes.
- Develop appropriate indicators to measure youth difficulties in the labor market, including school to work transition indicators;

(b) Assessment of existing interventions

Several interventions are in place in each country targeting youth in the labor market as well skill development schemes. This assessment will cover several areas of interventions:

- Review of existing institutional factors affecting employment creation in the formal as well as informal economy: labor market regulations, wage determination, private and public sector employment policies. Particularities of the rural sector would be treated separately;
- Review of employment promotion programs – active labor market programs, microfinance, skill development, recruitment practices, entrepreneurship, etc.
- Review of programs targeting youth in the labor market, youth in transition from school to work as well as out of school unemployed youth;
- A review of training programs. The effects of training on labor market outcomes, discussing the quality and financing of training, as well as problems of accreditation and coordination among training institutions;

- The reviews will identify interventions that have undergone rigorous evaluation, to draw on good experiences and identify schemes to scale up successful interventions. In the absence of evaluations, the reviews will draw on international experience for guidance.

(c) Understanding determinants of youth employment

Policy and programme prescriptions would depend on an in-depth analysis to determine whether the employment problems faced by the youth groups are structural, or whether they are transitory. This analysis will also determine whether these employment problems are youth specific or whether they are common to all age groups. Where these constraints are structural and common to all age groups, the policy prescriptions would be generally different from those which are transitory and youth specific. Broader structural problems can be dealt with by broader economic policies and programs in agriculture, industry or services. Transitory problems could be dealt with by specific youth programme or policy interventions. The specificity of the youth transition from school to work will help identify the transitional factors from the more structural mismatches in the labor market.

Based on the descriptive review and the inventory of interventions, this part will provide an in depth analysis of the determinants of labor market outcomes (employment, unemployment, wage rates, formal and informal sector participation) and generally the youth difficulties in the labor market. It will assess the supply and demand factors, as well as the role of institutions. The demographic factors, education policies, and household labor supply decision will be investigated and compared to the effects of the general demand conditions, sectoral changes and the business environment.

(d) Policy and operational implications

The final part will provide a set of recommendations for the addressing youth employment for each of the countries, which will inform discussions of the CAS, PRSPs, CEMs, ESWs, and the relevant country operations currently under preparation or supervision in various sectors including education and health, private sector development, PRSCs, agriculture, social development.

10. **Synthesis at regional level.** A regional paper will draw on the four country studies and early literature from the region. It will provide a cross country analysis and identify important themes facing youth in the labor market in SSA. The four countries were chosen from a variety of contexts, including: large country with severe co-variate shocks (Ethiopia), country with improving macro-economic situation (Tanzania), a Francophone countries (Burkina Faso and Rwanda), a post-conflict country (Rwanda). The selection of these countries is not meant to be exhaustive of the conditions, but have variations in themselves to be able to understand trends and policy environments.

Policy relevance of the ESW for the case countries

11 These information will benefit the country policy makers and Bank country teams, to advise on the main strategic choices for addressing youth employment, empowerment, skills,

education, and health programming. These information are essential for PRSP, CAS and operational dialogue in countries, addressing in a more integrated analysis, most of the education, training, health, social development and inclusion programs for youth in the 4 countries under study. The study will link with the findings to the other ESWs on youth, and labor in Africa, including the work on the recently completed work on technical and vocational skills study, as well as the Bank-wide ESW on labor market stocktaking.

12. **Rwanda** Recent country team discussions agreed that youth is a priority area that needs to be addressed in the next CAS discussions. The report will focus on ways to help respond to the Government demands on dealing with this area. The report will input results into the discussions of the Country Economic Memorandum (CEM), particularly with respect to the areas of growth and employment. In addition, the report will benefit present and proposed operations that invest in youth including: Human Resources Development Project (areas on secondary education), Urban Infrastructure and City Management (youth centers), Competitiveness and Enterprise Development (entrepreneurship and development), Demobilization and Reintegration (skills, transitional support, microprojects), Multisectoral HIV-AIDS Project (youth mobilization, information and education), Rural Development Support Project (youth skills). The study will also be relevant to other ESWs including FPSI's work in the Competitiveness and Enterprise Development Project and Youth Profiles in the Urban Infrastructure Project.

13. **Ethiopia** The results of the study will be directly relevant to the next CAS discussions, particularly in the growth agenda and the empowerment agenda. The study will help provide empirical basis for the emerging National Youth Strategy particularly in the youth employment area. This study will also seek to provide framework for addressing youth relevant activities in the following operational work: PRSC III (education and health issues), in the Ethiopia Post-Secondary Education Project, in the programs for Capacity Building for Decentralized Service Delivery, and Capacity Building for Agricultural Services Project. The study will also link up with the ESW on the Labor Market stocktaking and the Population Study.

14. **Burkina Faso** The implementation of the Burkina Faso PRSP calls for increasing employment and income-generating activities for the poor, as the cornerstone of strategy for reducing poverty. The study will contribute to the ongoing ESW Employment Strategy Paper. Likewise the results will provide key inputs in the forthcoming CAS discussions related to youth employment issues, as well as to the development of the PRSC 5 addressing vulnerability and social protection measures involving youth. There are current proposals to deal with secondary education programs, which will be important supply side interventions that would benefit from the study. The impact of the recently completed primary education project would be one of the areas that could be investigated. The FPSI work on investment climate assessments would be linked to the findings of this report.

15. **Tanzania** The new PRSP for Tanzania has explicitly identified youth as a priority issue. In the preparation of the next Country Economic Memorandum and Poverty Assessment, labor market issues will be dealt with explicitly and the proposed study framework would benefit from results of this work. The next PRSC 3 credit is intended to foster economic growth and enhance employment opportunities as access to formal and informal sector employment. The empirical results of this study will help define the framework for addressing youth unemployment. On-going and proposed operations will benefit from this study, including the Primary Education Development Programm, Human Resource Development Program, the Secondary Education

Development Programme, the Multi-Sector HIV-AIDS Programme, and the Tanzania Social Action Fund. All these programmes are serving youth groups. In addition the ESW on Tertiary Education would benefit from results of this study.

16. **Data** The study will use household data sets collected in 4 countries in the 1990s and early 2000s by the World Bank and national surveys: including LSMS, Priority Surveys, Labor Surveys. The study will interact with the study team on Africa Labor Markets for additional information relevant to this study.

The data sets used for this study are given in Table 2 below.

Table 2. Data Sets for Country Case Studies

Country	Data
Ethiopia	Labor Force Survey 1991 Labor Force Survey 1999/2000 Survey of Establishments Welfare Monitoring Survey Demographic and Health Survey 2000
Rwanda	Census of Population and Housing 2002 Enquete sur les Indicateurs de Base du Bien-Etre (QUIBB) 2003 Census of Population and Housing 1991 Rwanda Integrated Household Living Conditions Survey 1999-2001
Burkina Faso	Burkina Faso Priority Survey, LSMS, 1994 Burkina Faso Priority Survey, LSMS, 1998 Burkina Faso Priority Survey, LSMS, 2003 Demographic and Health Survey
Tanzania	Integrated Labor Force Survey 2002 Integrated Labor Force Survey 1991 Demographic and Health Survey Tanzania Household Budget Survey 2001

Links to other relevant studies

17. This study will build upon and link up with other related ESW in the countries, in the region, and elsewhere in the Bank. In the study countries, there are labor and employment studies currently undertaken by various teams. There is an ongoing stocking study conducted by the Africa Labor Study group which looks at the broader labor market issues. Elsewhere in the Bank, there is a focus group on Youth Unemployment: the Education/Employment Nexus currently undertaking a stocktaking exercise on of key issues and programs related to youth unemployment. There are studies on school to work transitions in Russia as well as in Brazil and several countries in Asia.

Dissemination Plans

18. These reports will be widely publicized to all task managers, country directors, and country clients through a publication, and through PRSP workshops and CAS dialogues. A workshop will be held at the end of the study in FY06 amongst key policy makers and country departments in the Bank. The results will also be disseminated to the various sectoral teams in the 4 countries. Working papers of the case countries and regional synthesis will be prepared for publication.

Study Team

19. The study team composition:

The core team will include Marito Garcia (Lead Economist, AFTH1, Study Team Leader) and Jean Fares (Economist, HDNSP). The team advisers include Arvil Van Adams and K. Subbarao. Consultants will be identified to conduct the individual country studies.

20. Peer reviewers:

Emmanuel Jimenez (Sector Director, EASHD-South Asia)
Linda McGinnis (Lead Economist, HDNCY-Network)
Wendy Cunningham (Senior Economist, LCSHS--LAC)

Timeline of Outputs

January 24, 2005	ESW Concept Note Review Meeting
June 1, 2005	Interim Report of the 4 Country Case Studies (Since the 4 case countries have different schedules of deliverables for the CAS, CEM, or operations, progress reports will be staggered to fit their timetable.)
November 15, 2005	First Draft of 4 Country Case Studies
December 30, 2005	First Draft of the Regional Synthesis Report s
February 15, 2006	Dissemination Report Workshop and Discussions with Regional Teams

April 15, 2006

Final Publication of Case Studies and Regional Synthesis

Detailed Budget Table

Expenditure category	FY05 TFESSD	FY05 BB	FY05 Other	FY06 TFESSD	FY06 BB	FY06 Other
International consultant fees	\$ 60,000	\$ 20,000		\$30,000	\$20,000	
Local consultant fees	\$ 20,000					
Travel/ subsistence	\$ 20,000				\$15,000	
Workshop expenses				\$10,000	\$15,000	
Other expenses		\$30,000				
Total	\$ 80,000	\$50,000		\$40,000	\$50,000	