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***Cover Photo:*** *Workers at Ambassa Enterprises, a coffee buyer and exporter based in Addis Ababa, sort the beans for export. Image courtesy of Pete Lewis/ UK Department for International Development.*
*('Sifting Good Beans from Bad', sourced through Creative Commons)*

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# Introduction

Rapid economic growth in many Sub-Saharan African countries over the last decade has fueled optimism that the continent is poised to join the ranks of its more developed counterparts, Asia and Latin America.[1] Yet the quick gains in gross domestic product (GDP) have not led to shared prosperity or economic opportunity for many of the continent's citizens, raising questions about the sustainability of Sub-Saharan Africa's current growth trajectory.

Securing the continent's success depends on promoting employment-intensive growth that not only leverages the productive potential of the African people, but also enables more people to benefit from an expanding economic pie.

Creating just jobs complete with appropriate remuneration, rights and economic mobility will help people in African countries raise their living standards and increase their consumption of products and services. In turn, rising aggregate demand will generate new opportunities to expand trade and investment with Africa and reinforce the continent's integration into the global economy.

Many African leaders have recognized the need for more and better job creation[2] especially for youth.

Leaders must prioritize and act on this agenda by:

1) **Investing in infrastructure projects** that pay dual dividends by generating direct employment in the short run while stimulating economic activity in the medium- and long-term

2) **Supporting private sector development** by fostering the growth of small and medium enterprises

3) **Expanding labor-intensive manufacturing** that offers opportunities for higher productivity employment

4) **Enhancing agricultural productivity and expanding rural non-farm activities** that bridge agriculture and industrial development

5) **Developing South-South partnerships in skills** development

Underpinning this agenda must be transparent and accountable government institutions and effective policies, procedures and regulations that protect workers' rights and simultaneously mobilize investment and grow private enterprise. Policymakers should empower workers – especially women, youth and marginalized minorities – to shape their own economic futures through strong labor rights and social protections. They must foster a vibrant civil society that helps create a more effective, transparent and accountable ecosystem conducive to the creation of good jobs. Guaranteeing these rights through clear and consistent regulation will strengthen the business climate in Sub-Saharan African countries. Experience from other regions confirms that societies with good jobs and democratic industrial relations are more stable and more attractive to investors.

Alongside job creation, robust social safety nets are necessary to safeguard Africa's new members of the middle class. The aim of inclusive growth is less likely to succeed in the long term if upwardly mobile households are constantly at risk of falling back into poverty in the event of a medical emergency or temporary unemployment. The first step toward creating strong social institutions lies in reinvesting the fruits of economic growth in health, education, and other public goods.

***"An additional 112 million workers will enter Africa's labor force by 2020…this is daunting and should be a wake-up call to all of us in Africa to work harder on job creation with a great sense of urgency."***

***- President Goodluck Jonathan of Nigeria, at the World Economic Forum on Africa 2014***

As African leaders seek the right combination of policies to advance an inclusive growth agenda, they should view the movement toward regional integration in Africa as an opportunity. Blocs like the East African Community, the Southern African Development Community, and Economic Community of West African States have the potential to streamline governance and regulatory frameworks to create a more level playing field across nations on the continent. This will expand opportunities for businesses to grow and will allow people to move more easily to access high-quality jobs that utilize their skills.

The interventions discussed here reinforce one another, creating a virtuous circle of employment-based growth that is inclusive and sustainable. The region has part of the formula right; now it's time to prioritize an employment-intensive growth strategy that will enable more of its citizens to play an active role in propelling the continent forward while building a better life for themselves and their families.

# Growth without opportunity

Over the last decade, Sub-Saharan Africa has seen impressive economic growth. GDP grew at an average of 5.2 percent per year between 2003 and 2013.[3] Several factors helped propel rapid growth: high commodity prices; prudent macroeconomic policies; investments in natural resources and infrastructure; a decline in inflation; adoption of information and communication technologies; improvements in fiscal balances; growing remittances; and a shift towards democracy in some countries.[4] Ten of the twenty fastest growing economies in the world are in Sub-Saharan Africa.[5] And the region has made rapid gains in human development – from improving life expectancy to raising primary school attendance rates[6], though not at the speed and magnitude of other regions.[7]

Yet Sub-Saharan Africa still struggles with high levels of poverty and inequality[8] stemming from not enough jobs and low quality jobs.[9] Sectors such as mining, oil and gas have made large contributions to the continent's GDP, but employ less than one percent of the workforce,[10] frequently in unsafe conditions. Of the 466 million people of working age (15-64 years), approximately 320 million are in the labor force either employed or looking for work,[11] with only 61 million in wage employment. Of the 236 million people who are self-employed, 181 million work in agriculture – a sector characterized by low-productivity and informal employment.[12]

The unemployment rate just over 7 percent,[13] slightly above the global average, does not capture the reality of a region with a large informal sector. Close to 80 percent of workers in Sub-Saharan Africa are currently in the informal sector;[14] many are underemployed and share low-productivity work.[15] More than two-thirds of the employed earn less than $2 per day.[16]

What's more, Sub-Saharan Africa's large and growing youth population faces an inordinate number of challenges in finding good jobs. Of the 466 million people of working age, almost 200 million, or 43 percent, are between the ages of 15 and 24. This number is set to double by 2045, underscoring the urgent need to generate gainful employment for the region's youth.

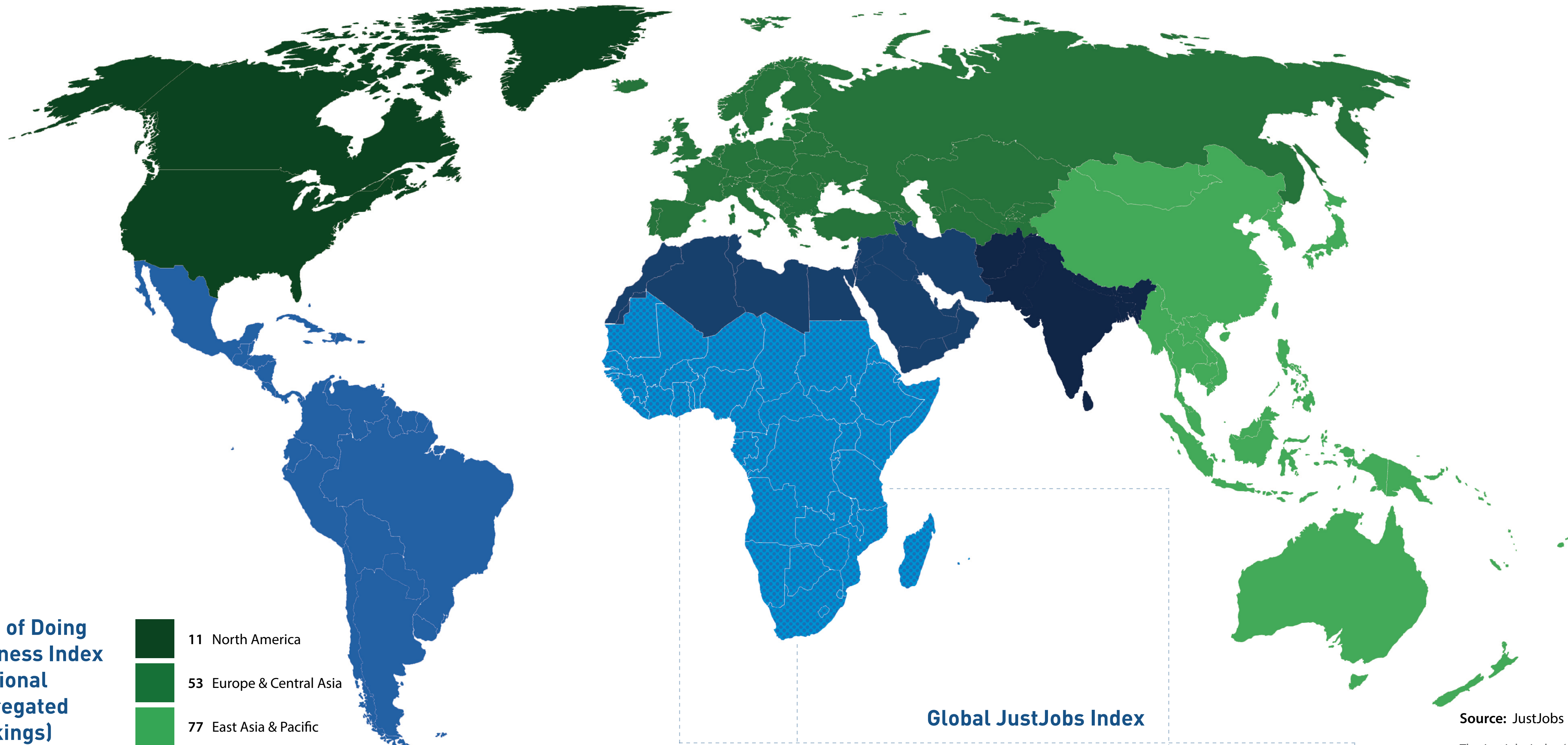
Roughly 11 million young people enter the African labor market each year, but there simply are not enough jobs to absorb them. Youth account for 60 percent of the region's unemployed.[17] But an equally daunting challenge is the poor quality of jobs in which a majority of young people find themselves. Intense competition for employment, a lack of skills, and poor transportation are among the reasons why many young people end up settling for low wages, poor working conditions and insecure jobs. Fewer than one in five young workers find wage employment.[18] More than 70 percent of young people in the Republic of Congo, the Democratic Republic of Congo, Ethiopia, Ghana, Malawi, Mali, Rwanda, Senegal and Uganda are in unpaid family work or are self-employed.[19]

Despite gains in human development, the region still ranks the lowest relative to other regions on the Human Development Index.[20] Projections suggest that by 2030, more than 80 percent of the global middle class will reside in the Global South, accounting for 70 percent of total consumption expenditure. But Sub-Saharan Africa's share of the global middle class is projected to be only two percent.[21] These facts temper the excitement over the region's rapid GDP growth and the prospect of African people participating fully in the global economy as a consumer market.

***"Roughly 11 million young people enter the African labor market each year, but there simply are not enough jobs to absorb them. Youth account for 60 percent of the region's unemployed."***

It is important, however, to acknowledge the high levels of social and economic diversity across Sub-Saharan Africa. This diversity has a few implications. First, labor market conditions vary tremendously across the region. For example, in South Africa and Namibia, over half the employed population has a stable job; in Ethiopia, only 10 percent of people do.[22] Second, internal diversity means that this report's overarching story – "growth without opportunity" – is brightened by success stories of particular job-creating industries in some of the region's countries. Mali, for instance, has supported a burgeoning mango industry through strategic infrastructure investments.[23] Third, implementation of the strategies presented in this paper depends on their adaptation to local contexts; the report presents examples of how specific countries have fashioned national policies in line with these principles of job creation.

Despite internal diversity, countries across the region share the challenge of creating jobs and improving the quality of work. Leaders on the continent must forge a new path of economic growth that is inclusive and sustainable by giving their citizens the opportunity to participate fully in the region's burgeoning economies. This paper puts forward five action items that, if built on the foundation of workers' rights and social protection, can shape Africa's inclusive growth agenda.



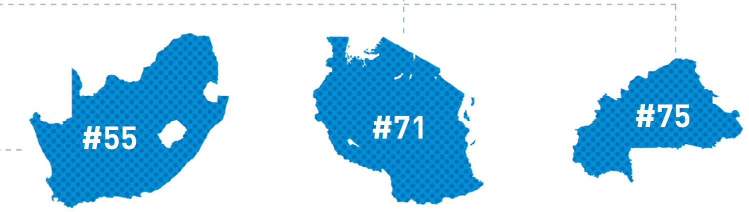
**Ease of Doing Business Index (Regional Aggregated Rankings)**

| | |
|---|---|
| 11 | North America |
| 53 | Europe & Central Asia |
| 77 | East Asia & Pacific |
| 98 | Latin America & Caribbean |
| 103 | Middle East & North Africa |
| 120 | South Asia |
| 142 | Sub-Saharan Africa |

World Avg Ranking (95)

**Source:** Doing Business Report 2013, World Bank

**Global JustJobs Index**




South Africa #55   Tanzania #71   Burkina Faso #75

**Source:** JustJobs Index 2013, JustJobs Network

The JustJobs Index (JJI) -- a flagship product of the JustJobs Network -- is a comprehensive, data-driven approach to measuring the quantity and quality of jobs around the world. The first international ranking of its kind, the JustJobs Index provides an aggregated measure of one of the most important questions facing global policy makers: are we creating enough quality jobs?

In 2007, the year for which there is data for the most number of African countries, Africa ranks the lowest across two dimensions: 'income security' and 'equality of treatment'. This suggests that low income levels and inequality are driving the low rankings of nations like Tanzania and Burkina Faso on the JustJobs Index.

# 1. Invest in smart infrastructure

Infrastructure, from transportation networks to electricity grids and basic utilities, is one of the most fundamental factors affecting economic activity. Sub-Saharan Africa suffers from severe deficiencies in its infrastructure.

Improving the region's poor infrastructure can pay dual dividends by stimulating economic activity – inviting more foreign investment, expanding commerce, and enabling better access to markets and jobs – while generating direct employment relatively quickly in the form of construction jobs. Smart infrastructure planning should prioritize projects that are likely to spur high levels of economic activity and improve productivity. For example, priority should be given to regional routes that would optimize the transport of the highest volume of people, goods and services and create development corridors. Regional integration agreements are paving the way for this type of infrastructure development. The Southern African Development Community, for instance, has made infrastructure one of its top priority areas in order to facilitate trade between its fifteen member countries.

Estimates suggest that poor infrastructure costs the continent US$ $40 billion annually, depriving more than 15 million Africans of jobs every year.[24] In order to fill its infrastructure gaps, Sub-Saharan Africa would need to spend an estimated US$ 93 billion each year for the next 10 years. Currently, actual investments in infrastructure total US$ 45 billion annually, with more than half funded by the public sector.[25]

To bridge the gap between current investment and the amount required, governments in the region should continue to work with the private sector to get new projects off the ground. Moreover, international governments and multilateral institutions should expand their support for infrastructure development in the region as a means of stimulating job creation that also fuels economic growth.

Attracting investment in infrastructure not only requires strengthening fiscal and budgetary frameworks, but also developing comprehensive regulations and the administrative and technical capacity for designing, implementing and managing these projects. The opportunity, therefore, lies not only in absorbing low-skilled manpower in construction, but also in expanding and absorbing a highly skilled workforce, from engineers to project managers. The private sector and international institutions can share technical expertise to build the relevant skills, especially among youth in the region.

Some countries in the region have taken initial steps. South Africa's Expanded Public Works Program has created more than 5 million job opportunities for poor and unemployed South Africans since its launch in 2004 – 1.6 million in its first phase (2004 to 2009) and over 4 million in its second phase (2009 to 2014). Furthermore, the program has surpassed its targets for women and youth participation, achieving rates of 60 percent for women and 50 percent for youth. It now aims to create 6 million work opportunities over the next five years.[26]

Multilaterals and private sector stakeholders are also stepping up their efforts. The African Development Bank's Africa50 Fund aims to raise US$ 500 million by 2014.[27] The International Finance Corporation reached US$ 1 billion in annual funding for private infrastructure in 2012,[28] while the China-Africa Fund has committed another US$ 1 billion in its first phase, with a final target of US$ 5 billion.[29] The U.S. government has taken the engagement to the next level through the 'Power Africa' initiative.[30]

## 2. Grow small and medium enterprises

The formation and growth of small and medium enterprises has the potential to diversify economic activity, create new opportunities for investment, and generate new jobs in Sub-Saharan Africa. Yet research shows that while many countries in Sub-Saharan Africa have a large number of SMEs relative to the size of their economies, the growth of these firms is stunted.[31] The median size of firms in Africa is about 20 percent smaller than firms in other regions.[32]

Policy must focus more on enabling the growth of SMEs, as opposed to their formation. And in order to boost consumption power, raise government revenues, and promote stable and sustainable businesses, the growth of SMEs must be based on hiring workers under formal conditions rather than from the informal sector.

Boosting the region's private sector requires overcoming the barriers that prevent growth of these firms. First, this entails reforming unclear government policies, taxes, licensing procedures, and regulations that are bureaucratic barriers to doing business. Here again, regional agreements can play a role. The East African Community is pioneering regulatory harmonization and simplification, accomplishing two goals: (a) reducing the number of hurdles for small businesses, and (b) expanding the potential market for entrepreneurs in its member countries.

Second, improving access to capital with well-designed insurance, loan, and guarantee programs will help small businesses grow. Only 23 percent of African enterprises have access to a loan or line of credit, compared to 46 percent of enterprises in non-African countries of the Global South. Many SMEs struggle to meet conditions for a loan.[33] Microfinance provides small amounts of financing that have contributed to the proliferation of microenterprises, but obtaining medium-sized loans is still difficult because banks are risk-averse.

Third, infrastructure is particularly empowering for young businesses with less capital. Poor or unreliable infrastructure raises the barriers to entry in many sectors, as business owners must utilize small-scale, expensive alternatives to ensure consistent supply of resources like water and electricity. Targeted infrastructure investments, therefore, will have a disproportionately positive effect on small and medium businesses.

Figure 01

**SME share of employment**

| Country | SME Share of Employment (%) |
|---|---|
| Malawi | 39 |
| Kenya | 38 |
| Zambia | 37 |
| Ivory Coast | 33 |
| Tanzania | 32 |
| South Africa | 21 |
| Burundi | 20 |
| Cameroon | 19 |
| Zimbabwe | 15 |

# 3. Expand labor-intensive manufacturing

Experience from other regions in the Global South suggests that the rapid rates of economic growth seen in Sub-Saharan Africa over the last decade cannot be sustained without a structural transformation that moves workers from low-productivity agricultural jobs and the informal sector to more productive activities.[34] Manufacturing has more potential to generate productive and remunerative jobs, especially for low-skilled workers, than either the agricultural or service sectors.

Despite a labor cost advantage and abundant natural resources, manufacturing has not fared well in Sub-Saharan Africa.[35] There are several explanations: intense global competition, especially from Asia; a lack of investment because of weak institutions; cumbersome regulations;

and poor infrastructure. The continent's economic growth over the last decade has been propelled by exports of high-priced commodities such as crude petroleum, which arguably diminished the urgency for policymakers to pursue industrial production to generate growth.

The share of the manufacturing sector's value-added in regional GDP declined from 13 percent in 2003 to 10 percent in 2013. It remains the lowest of all regions in the world.[36] Boosting the manufacturing sector and diversifying exports are urgent imperatives.

***"The share of the manufacturing sector's value-added in regional GDP declined from 13 percent in 2003 to 10 percent in 2013. It remains the lowest of all regions in the world."***

To expand labor-intensive manufacturing, governments in the region must take active measures to create a better business environment by streamlining regulations and procedures, experimenting with tax policy to potentially provide carve-outs for manufacturing, and complying with international product, safety and labor standards.

The way African countries trade with each other and with the rest of the world will also determine their ability to boost manufacturing. First of all, pursuing regulatory harmony through regional agreements can open up new markets in Africa for manufacturing firms in smaller countries like Rwanda and Lesotho. Second, the United States and European Union should refine their trade preference programs with African countries to incentivize labor-intensive export industries. And finally, African leaders must also push to expand market access to other nations in the Global South. In February 2008, the African Union adopted an Action Plan for the Accelerated Industrial Development of Africa, which rightly calls for "taking maximum advantage of Africa's Partnerships, especially with the Newly-Industrializing and Emerging Powers of the South, for the development and transfer of technology, for the establishment of joint industrial enterprises in Africa, and for greater market access for African manufactured products."[37]

As they expand their manufacturing sectors, African policymakers must ensure that real wages are in line with increases in productivity. Wages that are too low depress aggregate demand and exacerbate inequality. Wages that are too high relative to productivity make nations less competitive and impede the expansion of labor-intensive industries.

# 4. Unleash the potential of rural non-farm activities

Sixty-three percent of Sub-Saharan Africans live in rural areas. In Burundi, Ethiopia, Niger, Rwanda, South Sudan and Uganda, this figure exceeds 80 percent.[38] The agricultural sector employs 57 percent of the labor force.[39] Yet the sector is typically low-productivity, low-earning if it pays a wage at all, and largely informal. The region's agriculture value-add per worker is the second lowest in the world (South Asia is the lowest).[40] Many workers, especially young people, work on family farms for no wages and engage in hazardous work, exposing them to harmful pesticides and chemicals.

*"One way to do this is by improving farming practices through better technology and eco-friendly seeds and fertilizers that boost staple crop productivity"*

Reducing the number of working poor in Sub-Saharan Africa means upgrading rural livelihoods to provide more productive, remunerative and safe working conditions. One way to do this is by improving farming practices through better technology and eco-friendly seeds and fertilizers that boost staple crop productivity.

Equally important, though less explored, is expanding the range of rural non-farm activities, especially those that link agriculture with industry such as agro-processing and packaging. These types of businesses would capture more value locally; they can generate more productive employment with better wages and working conditions. But there are few examples in the region. Tanzania, for instance, exports raw cashew nuts, and imports processed ones. Senegal's largest producer of juice imports mango pulp despite the country's abundant supply of mangoes. The problem is that these nations lack the ability to convert raw materials into market-ready products for consumption.[41]

As with other economic activities, infrastructure, from sound irrigation systems to transportation routes, is a prerequisite to expanding employment in both rural farm and non-farm sectors.

Figure 02

## Agriculture, value added (% of GDP)

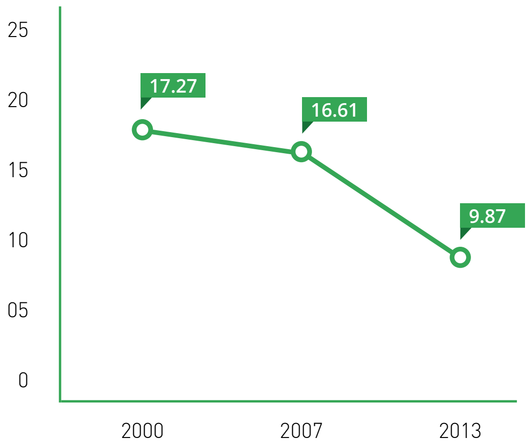
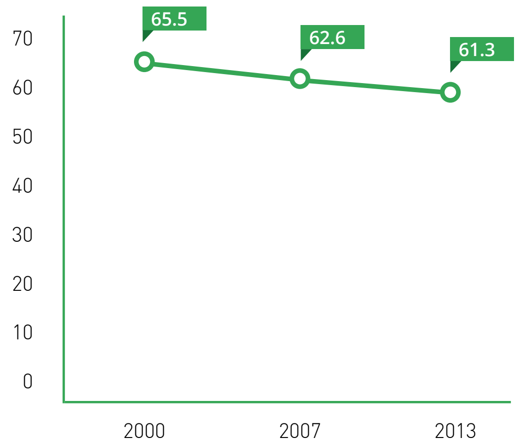



Figure 03

## Agriculture, share of employment (% of total employed)




**Source:** World Bank, World Development indicators

Figure 04

## Agriculture, value added (% of GDP)

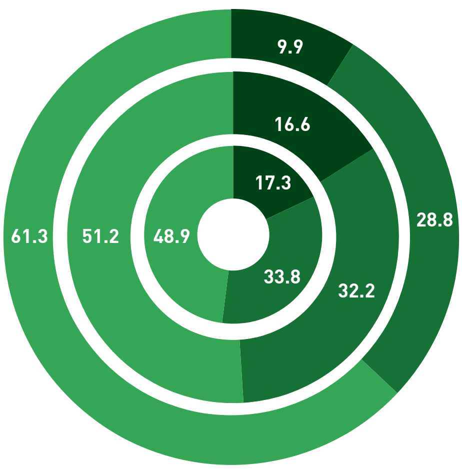
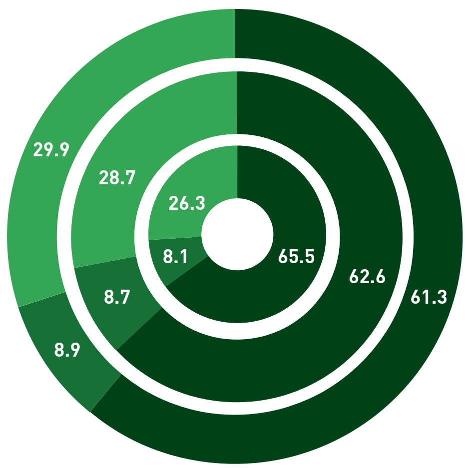




Figure 05

## Agriculture, industry and services, share of employment (% of total employed)




**Source:** World Bank, World Development indicators

The share of agriculture in GDP (value-added) has declined by almost half since 2000 (17.3 to 9.9 percent) – illustrating a failure of the agriculture sector to become more productive. Meanwhile, a large-scale transition of workers into higher-value-added employment in industry and services has not occurred.

# 5. South-South partnerships in skills development

With the fastest growing population of any region in the world, and its youth population set to double over the next thirty years, upgrading the skills of the workforce across Sub-Saharan Africa is imperative to sustaining its high growth rates, competitiveness and social stability.

While demand side interventions to expand employment opportunities, raise productivity and wages are critical to addressing the region's jobs challenge, it is equally important to invest in a skilled workforce capable of meeting labor market demands. Without prioritizing skill development, leaders will be unable to facilitate a large-scale transition from low-value-added, low-productivity activities to higher-productivity jobs.

***"This is an area ripe for South-South cooperation. Partnerships in skill development between African countries and other emerging economies hold great potential partly because they face similar challenges"***

This is an area ripe for South-South cooperation. Partnerships in skill development between African countries and other emerging economies hold great potential partly because they face similar challenges – vast informal sectors, a large share of employment in low-productivity agriculture, and a sizeable youth population that has received little formal education or training. As countries such as India embark on massive skills development initiatives, the expertise they build and the fumbles they commit will prove valuable to African countries that have similar skill needs and operate within similar constraints.

The opportunities that such collaboration might create are numerous: seminars for sharing best practices, formal technical assistance, and exchange programs, to name a few. Partnerships forged through skill development programs would also open the space for greater economic cooperation among countries in the Global South. Countries within Africa operating under regional agreements will also benefit from strategic partnerships on workforce skilling, especially as many have begun to harmonize skilled professional certifications.

# Conclusion

Over the last decade, Africa's high rates of economic growth have raised hopes for an era of prosperity and opportunity on the continent. Improvements in macroeconomic conditions, a commodity boom, and more political stability paint a picture of a region poised to become a major player in the global economy. But that future hinges on creating just jobs that lift people out of poverty, empower them with rights, and protect them in turbulent times. Without this, the threat of a reversal of fortunes looms large.

The call to action from Ebrahim Patel, South African Minister of Economic Development, should resonate with leaders of countries across the region. "Reducing the number of unemployed South Africans is our central challenge. Unemployment means that too many of our people, especially the youth, are excluded from core economic and social relationships, from the opportunity to contribute to our country, their communities and their families. We need to create the conditions in the economy and society that will sustain the growth in jobs and indeed accelerate it."[42]

Now African leaders must deliver on this agenda. And the international community must support them in this task. Both stand to benefit from closer integration and better opportunities for trade and investment.

The recommendations presented here are codependent. Better infrastructure is required to jumpstart labor-intensive manufacturing, while infrastructure projects require a skilled workforce for execution. Reforms that support the growth of small and medium enterprises will also give rise to new innovations in agro-processing. A coordinated strategy that puts into effect these recommendations concurrently will be far more transformative than piecemeal implementation. This transformation requires strong, simple regulatory frameworks and capital mobilization, reinforced by regional integration and respect for workers' rights.

With all its diversity and dynamism, Sub-Saharan Africa holds the promise of creating the shared prosperity necessary to sustain a burgeoning economy. With pragmatic but visionary leadership that prioritizes just job creation, the region can transform the status quo – growth without opportunity – into an inclusive future, where growth and opportunity come hand in hand

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Notes

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JustJobs Network is a private, nonpartisan organization finding evidence-based solutions to one of the most pressing challenges of our time: How to create more and better jobs worldwide. We produce empirical research on good job creation, focusing our work on the critical knowledge gaps in the global employment landscape.

JustJobs convenes a global network of diverse stakeholders—including policy shapers, academics, and grassroots leaders — to deepen the practical implications of our research endeavors and amplify their impact. Through the combination of cutting-edge research and global knowledge sharing, we aim to forge a fresh, dynamic channel for policy dialogue on employment at national, regional and international levels.

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