



Job Creation for Africa's Youth

Are there Pathways
in Agricultural Value Chains?

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On behalf of BMZ, the policy brief series of the sector project „Agricultural Trade, Agribusiness, Agricultural Finance“ summarises the results of working papers that are relevant to specialist audiences.



ABSTRACT

Rapidly rising demand for food fuelled by population growth, urbanisation and income growth offers enormous opportunities for employment creation in the agri-food sector in Sub-Saharan Africa (SSA): the sector has the potential to be a driver of economic transformation. This policy brief highlights the main results from a GIZ-supported study of the evolving employment dynamics in SSA's agricultural value chains by Michigan State University. Three main pathways are described that provide job opportunities in agricultural value chains and in the non-farm sectors. Further, the study summarises key entry points for investment and policy actions to promote inclusive, competitive and productive agri-food systems generating employment opportunities and contributing to economic growth and transformation.

In order to fully capture employment and income growth opportunities in SSA's agricultural value chains, investment is required in the following five key areas:

1. Broad-based agricultural productivity growth;
2. Information and communication technologies (ICT) and complementary research and development (R&D);
3. Education and skill development;
4. Conditions for responsive policymaking on youth employment issues; and
5. Interventions that reduce fertility rates and speed up the demographic transition.

Key facts about the dynamics in SSA's labour force and the evolving role of agricultural productivity growth in SSA's transformation process:

- SSA has the world's youngest and fastest growing population which is projected to double by 2050. More than 20 million young people are likely to enter the labour market every year (Losch 2016).
- The share of labour force employed in farming declines. However, absolute numbers are still increasing.
- Population growth, urbanisation and income growth offer enormous opportunities for creating employment in the agri-food sector (Allen et al., 2018).
- Agricultural productivity is seen to be crucial in determining the rate of employment growth in off-farm activities and in the rural non-farm economy (Yeboah & Jayne 2018b).

BACKGROUND

The Role of Agriculture in Rural Employment Creation

SSA has the world's youngest and fastest growing population. By 2050, the population is predicted to double. Hence, estimated 440 million young Africans will reach working age by 2030 (Pesche et al. 2016). Evidence suggests that even under the most favourable projections only 25 % of the new workers will receive a chance to work in the formal sector of the economy. This unprecedented demographic trend creates pressure on SSA's food production systems which are already struggling to ensure food security. In addition, urbanisation and income growth are fuelling the demand for food as well as for more diverse and high-quality agricultural products such as meat, milk and horticulture. However, due to prevailing low productivity levels, SSA's agriculture has not kept pace with population dynamics. This had lead to an increased reliance on food imports while at the same time intra-African agricultural trade has increased as well, but still at a marginally low level (Figure 1). These developments are also recognised by the G20 in their work stream on youth employment (World Bank Group and IFAD 2017).

Rural areas represent a space of opportunity, in which many rural youth can find a prospect to build their livelihoods (Fox et al. 2020). Further, agriculture still is the most important employment sector in most SSA countries and crucial in determining the rate of employment growth in the farming, off-farm, and non-farm sector (Yeboah and Jayne 2018a). This offers new opportunities for jobs, particularly in the linked segments of the agri-food value chains. Mainly, this concerns the delivery of improved seed, fertiliser and machinery to support local food production. In addition, post-harvest handling, marketing, trade and processing are profiting from agricultural growth.

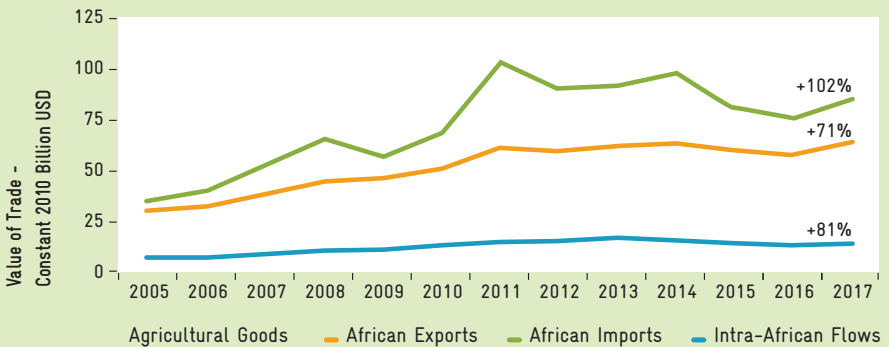


Figure 1 Value of African agricultural exports and imports (billion US\$, nominal value) 2005-2017
Source COMTRADE (2019) and Bouët and Odjo (2019)

Therefore, improving the productivity and capacity of SSA food production systems to respond to growing food demand could accelerate job creation and economic growth. SSA policymakers and their development partners recognise these challenges and opportunities. The question, however, is which strategy will harness agriculture's employment, and put income potentials into effect. What makes this difficult is the lack of data and empirical evidence on labour market dynamics in the region. A set of employment indicators are required which reflect the continent's socioeconomic and cultural conditions. In addition, policymakers face the challenge of anticipating and responding to key "megatrends"- such as rising land scarcity, the decline of inheritance as a means by which young Africans can enter farming, the problems associated with land degradation, global competition in agricultural value chains, and climate change. This policy brief hints to key entry points for investment and policy actions to promote inclusive, competitive and productive agri-food systems to generate employment opportunities and contribute to economic growth and transformation.

ANALYSIS

Pathways for Job Creation and Economic Transformation

No single economic sector has the potential to create employment opportunities to all (young) Africans entering the labour market, and therefore different structural transformation pathways are required. SSA's economic performance over the past decades has opened up opportunities for well-educated and skilled individuals by shifting employment from farming to productive and remunerative non-farm sectors. Furthermore, the on-going transformational changes in the demand for food and agricultural products has created new incentives for investment in agriculture, transforming parts of the labour force into successful farmers. This is especially the case among a relatively entrepreneurial class of individuals, who have access to productive resources (e.g. land, finance, technologies and markets). However, a large segment of the labour force remains consigned to "poverty jobs". Therefore, SSA's long-term economic transformation and prosperity will depend on how well policies support the transit of the "struggling" labour force participants into productive and well-paid jobs both inside and outside of farming. This entails three main pathways (as illustrated in Figure 2).

Definitions

Farming activities related to crop and livestock production

Off-farm pre- and post-farm value-addition activities within the agricultural value chains including assembly trading, wholesaling, storage, processing, retailing, preparation of food for selling, farmer input distribution and irrigation equipment operators etc., which may be either self-employment or work being performed for wages in another business

Non-farm activities outside the agri-food system, such as construction, finance, utilities, hospitality etc. (usually referred to as "Rural Non-Farm Economy (RNFE))."

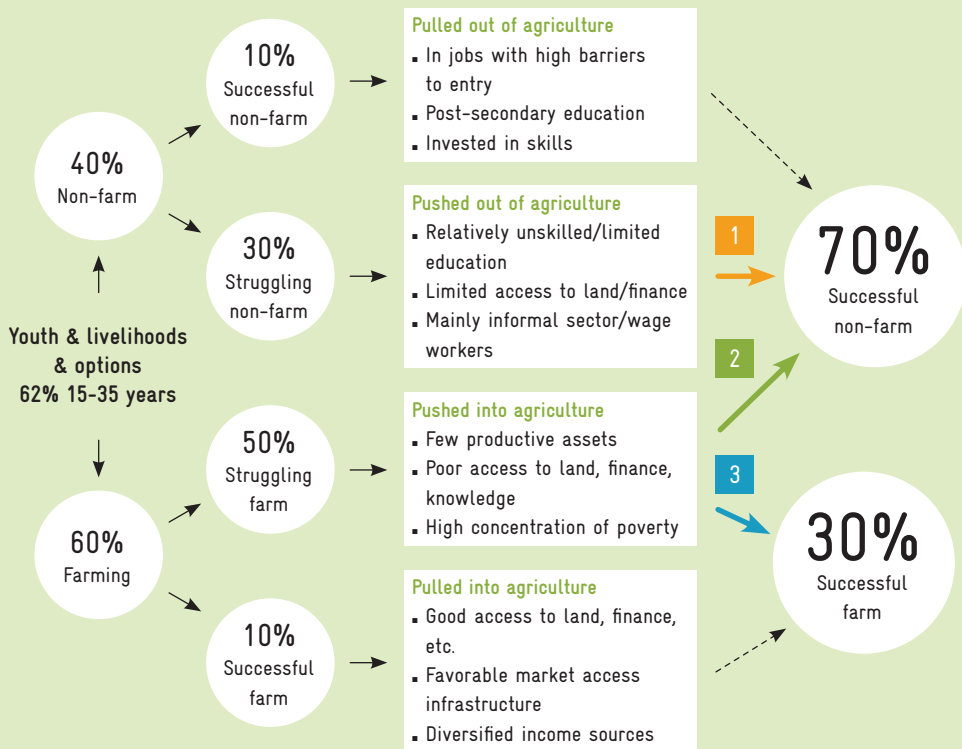


Figure 2 Structural transformation pathways for Sub-Saharan Africa's Youth
Source Yeboah and Jayne (2018b)

1

Improving the capacity of “struggling” non-farm workers to overcome high entry barriers and join the ranks of successful non-farm workers.

2

Creating opportunities to shift labour from agriculture into productive and profitable non-farm enterprises through a combination of policies that expand growth in non-farm employment and skills development.

3

Facilitating a transition of those who will remain in agriculture into productive, competitive and profitable agricultural value chains offering higher returns to labour.

To foster these pathways, small and medium-sized enterprises in the midstream value chains are particularly important, constituting a “Quiet Revolution” in the “Hidden Middle”. Wholesale, logistics and processing create markets for SSA farmers today and will continue to play a key role in the next decades. Therefore, governments and donors should also stimulate private investment in that “Hidden Middle” of the supply chains (AGRA 2019).

Evidence from nine cross-country data sets¹ indicate strategic investment in five key areas to fully deploy employment and income growth opportunities in SSA’s agricultural value chains:

1. Promote broad-based Agricultural Productivity Growth

Historical experiences of industrialised nations and evidence from low income economies suggest that agricultural productivity growth remains critical to increase incomes and stimulate off-farm job creation. Since a large proportion of the workforce in most SSA countries will remain engaged in agriculture, the performance of agriculture is continued to play a decisive role in influencing employment opportunities, rural development and poverty alleviation. Therefore, public investment in support of agricultural productivity growth will remain a crucial component of an effective youth employment strategy. Such strategies need to be designed to allow (young) smallholder farmers to participate in and contribute to the economic transition to assure broad-based and inclusive agricultural growth with greater multiplier effects on the rest of the economy. Investment that generates the greatest impact on agricultural productivity growth are:

- Policies which reduce costs of private sector investment and promote competition, as well as agricultural service delivery and extension systems that facilitate farmers’ access to productivity-enhancing technologies.
- Agricultural research and development (R&D) facilitating access to innovative and affordable technologies;
- Physical infrastructure (rural electrification, road, railways and port infrastructure);

Specific public actions to support smallholder’s inclusion in agricultural development processes may vary across countries but should at the minimum address:

- Risks and vulnerabilities through improved and environmentally-friendly farming systems, secured land rights, and agricultural insurance;
- Enhancing their capacity to expand production and take advantage of economies of scale; and
- Strengthen their access to and bargaining power in the market through farmers’ organisations.

¹ <http://surveys.worldbank.org/lsm/programs/integrated-surveys-agriculture-ISA>

2. Invest in ICT and Complementary Agricultural R&D

Improving access to information and knowledge contributes significantly to increase labour productivity in the entire agricultural value chain. Information and communication technologies (ICT) play a crucial role in this process. But the contribution of ICT's conveying information depends on the quality of the content. Therefore, one important pillar of ICT's ability to improve agricultural productivity is – amongst other aspects like accessibility – the information being conveyed.

Another key issue is to deliver specific knowledge concerning re-search findings, market opportunities, and business development to target groups and to enable them to apply appropriately. As ICT's increasingly overcome barriers to remote areas, a binding constraint on the impact of ICTs is chronic low funding of adaptive agricultural research and development (R&D), which has been shown to provide among the greatest impact on agricultural productivity and food security per dollar invested. Asian farmers benefit from the fact that their governments on average spend over eight times more annually on agricultural R&D than African governments (see ASTI online data).

3. Invest in Education and Skills Development

About two-thirds of young Africans entering the labour market do not have a secondary school education. 20 percent of youth (15-24 years) and 30 percent of young adults (25-34 years) have no formal education at all (Filmer and Fox 2014). Young girls, ethnic minorities, and rural residents are unduly affected. Additionally, the quality of education concerns. Learning assessments indicate that the educational systems in SSA do not adequately equip students with cognitive (literacy, numeracy), technical, and “soft” skills (e.g. critical thinking, communication, leadership, and solving problems). These skills are necessary for productive employment in a modern economy.

Across SSA, less than a third of those completing primary school achieve basic standard competencies in literacy and numeracy (Bold et al., 2017).

Education and skill development to equip young people with foundational, entrepreneurial and industry specific skills for productive employment demands a life cycle approach. It requires long term investment on multiple fronts including:

- Early childhood nutrition programmes, especially during the first thousand days of life, to avert stunting and its negative effects on learning abilities;
- Public investment to expand quality educational and skill development opportunities at all levels; and
- Promoting greater public and private participation designing curricula to address skills mismatches.

In addition to long term investment, Technical, Vocational, Education and Training (TVET) offers short and mid-term gains in employment. It opens access to quality agricultural and agri-food skills enhancing the chances of young people for higher wages. Also, opportunities for self-employment are able to grow.

Any effort to improve educational access and quality must also pay special attention to barriers faced by girls and young women. Without carefully targeted interventions, girls and young women will continue to lag behind their male counterparts.

4. Create Conditions for Responsive Policymaking on Youth Employment Issues

Young people are confronted with the fact that transformational processes shift rapidly and differ across SSA's countries. This affects employment as the required skills in agriculture and non-farm sectors might be changing dynamically. Successful employment programming, therefore, will respond adequately on the changing needs of young people. It requires investment in areas such as labour market trends, conditions of work, and examples of proven strategies which address vulnerabilities in the workforce and agricultural value chains. However, this is presently lacking in most SSA countries and it is undermining the effectiveness of youth employment interventions. Therefore, strengthening local research systems to improve data collection, dissemination of information and public discussion with youth representatives are crucial.

Youth employment-related institutions do not only have to work for young people but also to work with them. Young people know a lot about their challenges and should be equipped with the resources, skills, and opportunities to participate in political dialogues which shape their future.

5. Invest in Speeding up the Demographic Transition

Persistently high fertility rates in almost all SSA countries depress private and public savings and reduce fiscal space for investment in human capital (education, social and behavioural skills) required for productive employment. More young people are crowding an already overstretched labour market. Girls and young women deprive their own educational and economic development by having too early and too narrow spacing of pregnancies – a poverty trap. Therefore, policies to support SSA's demographic transition remains to be an essential component of employment strategies particularly in the agriculture and the rest of the economy. Well working interventions to reduce fertility rates are:

- The promotion of girl's education;
- Combatting early marriage;
- Empowerment of women; and
- Provision of youth-friendly reproductive health information and means of contraception.



Assessment

SSA's growing economies are challenged to generate large employment quantities for its rapidly growing population. In addition to the quantitative dimension, SSA's economic transition must target the qualitative dimension of employment as well. Long term economic transformation and poverty reduction depends on the profitability and returns to labour associated with the jobs that will be created. Higher incomes and wages, at least above poverty levels (ideally "living incomes"), are required to increase the purchasing power of workers to stimulate the demand for off-farm goods and services and thereby also expand employment opportunities in the overall economy. If a large share of the jobs created are low-paying and rather unproductive jobs, the resulting employment multiplier effects will be weakened, and the economic transformation will be stalled.

Conclusion

Developing the agri-food sector is an important pathway to economic transformation and job creation for SSA's youth. Future agri-food chains need to build pathways from "struggling farms" to "successful farming".

In order to fully capture the existing employment and income growth opportunities in agri-food chains, comprehensive investment and policy actions in five areas are indispensable: broad-based agricultural productivity growth, information and communication technologies (ICT) and complementary research and development (R&D), education and skill development, active policymaking

on youth employment issues, and reduction of fertility rates. However, the agricultural sector will only be able to absorb a proportion of the young rural population. Agricultural programmes can broaden the pathway from struggling to successful farming for an estimate 20% in agricultural value chains.

But above this, it is essential to promote pathways of struggling farm youth to successfully enter non-farm labour markets by improving their capacities. Investments in the five outlined areas will broaden the labour absorption capacity of agri-food chains, as well as the rural non-farm economy.

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