

Best Practises in Job Creation



Lessons from Africa

EXECUTIVE SUMMARY



NKC AFRICAN
ECONOMICS

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United Nations
Economic Commission for Africa

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The inability to find a means of income to generate a satisfying livelihood remains a problem across the globe. However, Africa's unique and tumultuous past has created a problem much more entrenched than those facing many other emerging and developing markets. The situation has been exacerbated by the coronavirus pandemic, which could push millions of people into extreme poverty, erasing at least five years of progress in fighting destitution. Unemployment and underemployment remain pervasive across the continent, and demographic trends suggest that the situation will deteriorate further if not effectively addressed.

The nature of the unemployment problem, however, is such that implementing the correct policies and pursuing effective initiatives will go a long way in setting a country on a favourable trajectory.

This study examines 34 employment initiatives across 15 different countries, highlighting which features the most successful initiatives have in common. The idiosyncratic nature of each country's economic structure, labour force and state of socio-economic development means that there is little evidence to suggest that the success of a specific initiative can be replicated in another country without acknowledging these differences. However, by ascertaining which broader approaches have proven successful across countries and identifying which focus areas have shown the most promising results, it is possible to gain insight into what constitutes best practice from an employment creation perspective.

As an initial step, identifying the most common phrases emphasised in the employment creation initiatives examined in this study already provides some insight into important success drivers. These phrases, depicted in a word cloud below, include partnership, skills development, youth employment, investment promotion, access to credit, etc.

While also elaborating on employment creation initiatives in certain African countries in more detail, this study also classifies each initiative or policy by the:

- 1) **channel** through which the project is being driven,
- 2) the **focus area** or target group of the intervention, as well as the
- 3) **sector** which is targeted or affected by the intervention.

By classifying the **channel**, **focus area** and **targeted sector** of each initiative it is possible to formulate a more holistic view of which general themes emerge.

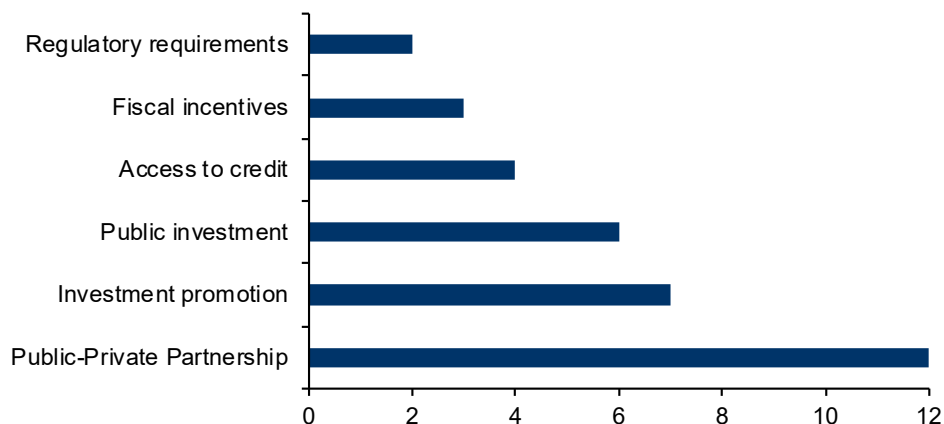
PRIMARY CHANNELS OF INTERVENTIONS

Of the 34 employment initiatives identified in this report, over a third took the form of public-private partnerships. These partnerships vary in nature and scope, with some focusing on private sector skills development while others take the form of joint enterprises between government and private companies. For instance, Kenya's Ajira Digital Programme, a government initiative that facilitates skills development in the private sector, has trained and provided over 50,000 work opportunities in the ICT

A focus on youth employment and public-private partnerships a clear theme in job initiatives

sector (Ajira, 2020a). Kenya's Ajira Digital Programme exemplifies the benefits of leveraging the private sector's ability to identify opportunities and to adapt to change, thus creating a more robust labour market.

Number of employment initiatives by primary channel



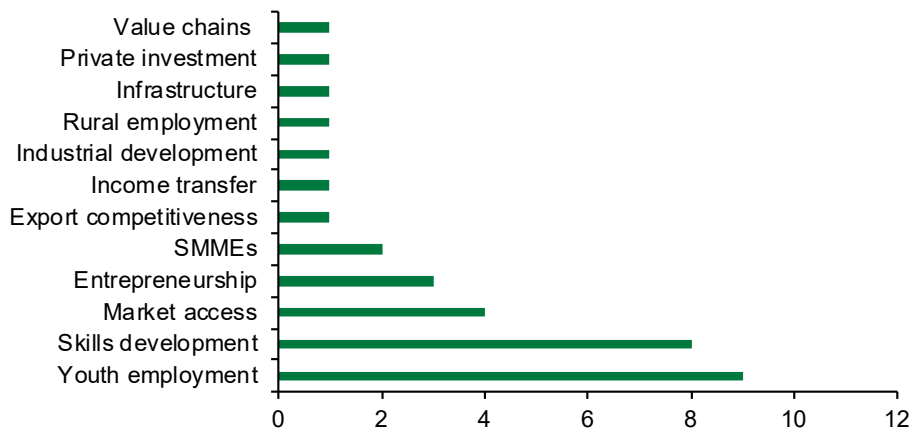
Source: NKC African Economics (2021)

Investment promotion also represents an important channel, again reflecting the benefits associated with leveraging and incentivising private sector investment to drive employment creation.

FOCUS AREAS OF INTERVENTIONS

Turning attention to the focus areas, the study found that youth employment was at the centre of most initiatives, and appropriately so given the continent's youth unemployment problem.

Number of employment initiatives by focus area



Source: NKC African Economics (2021)

Other important focus areas included skills development, market access, entrepreneurship and a focus on SMMEs. The latter two focus areas are closely linked and critically important to driving job creation. A lack of skills, meanwhile, is

Leveraging private sector expertise and promoting investment have been key drivers behind successful initiatives

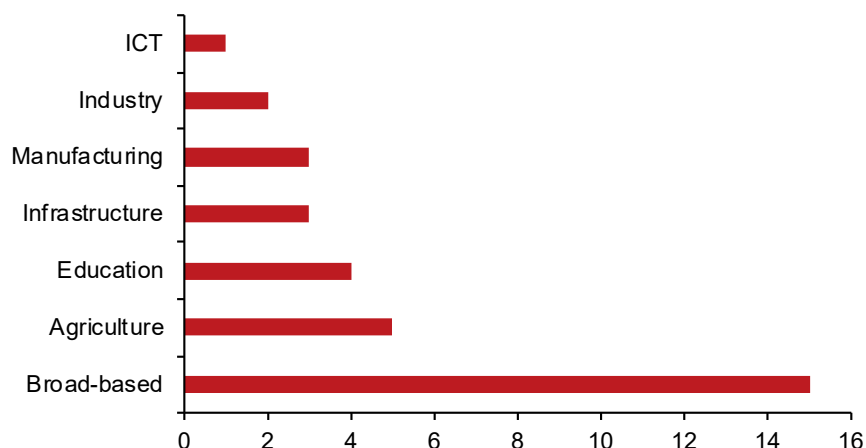
A focus on creating job opportunities for the youth especially important given the scale of the issue

often cited by businesses as a key factor constraining productivity and hence further expansion and investment.

TARGETED SECTORS OF INTERVENTIONS

The vast majority of the job creation initiatives considered in this report are broad-based and do not target a specific sector. However, most successful initiatives seem to have a clear focus on a specific channel through which to stimulate employment.

Number of employment initiatives by targeted sector



Most projects do not target a specific sector, but a clear focus still important in driving success

Source: NKC African Economics (2021)

For instance, providing subsidies for skills development will still allow market forces to determine which sectors see the largest take-up of the initiative. Furthermore, irrespective of the sector targeted, it seems that initiatives that aim to involve different participants in the value chain often have a greater impact. These projects often leverage the expertise of more commercial or advanced segments of the value chain to drive the transfer of skills while also boosting the competitiveness of the targeted beneficiaries. An example of such an initiative is Nigeria's Anchor Borrowers' Programme (ABP) which supports smallholder farmers but also strengthens the link with larger agro-processors. The design of the ABP initiative holds many advantages: It provides small-holder farmers with upfront funding to procure the necessary inputs and to pay for additional labour to increase production. The programme also involves training and support elements, linking more formal and larger businesses with more informal ones, which allows for the transfer of skills and knowledge. In addition, it involves many supply-chain participants rather than just considering a broader sector's headline performance. Here, again, a specific focus on addressing a particular market failure – weak supply-chain connections – goes a long way in allowing private enterprises to organically support job creation.

Where job creation initiatives do target specific sectors, agriculture and education are often the focus. The agricultural sector still offers immense potential if informal and artisanal activities can be upskilled and commercialised. Interventions focused on education, meanwhile, support skills development.

Many initiatives also target the manufacturing sector. Manufacturing development is of paramount importance for the continent and will be central in diversifying economies away from exporting raw materials and importing finished goods. However, shifting the continent towards adding more value domestically will require that Africa generate the necessary skills while other factors related to competitiveness also need to be considered. Manufacturing development is also especially important if countries want to take advantage of initiatives such as the African Continental Free Trade Area (AfCFTA).

KEY LESSONS FOR POLICY FORMULATION

The focus on youth employment has shown success across the continent and hits at the heart of the unemployment problem. The use of fiscal incentives to provide work experience to young job seekers has shown positive results in countries such as South Africa and Cameroon, while the facilitation of guidance and counselling services has also led to permanent employment in countries including Algeria and Egypt. Technological developments mean that the skills in demand are rapidly changing while demographic trends mean the number of job seekers is rapidly rising. It will be critical for governments across the continent to pursue a favourable equilibrium between labour demand and supply.

While the initiatives discussed in this report vary considerably with regard to both intervention channel and sector targeted, there are a few overarching themes that are present in many successful initiatives. These include the focus on youth employment and skills development, and the leveraging of private sector resources through public-private partnerships.

The continent's demographics profile shows that most job seekers are young. A focus on youth employment and early skills development targets the employment problem where it is most severe. In turn, fiscal constraints and organisational inefficiencies mean that government employment initiatives often disappoint and do not achieve targets if private sector resources are not leveraged. Private sector knowhow and understanding of skills demanded also boost an initiative's probability of success. The key themes across employment initiatives identified in this report can be summarised into the following policy recommendations:

- **Employability matters:** Demographic trends suggest that youth unemployment will increasingly become a concern if no direct action is taken. Initiatives that improve the employability of young individuals by generating opportunities to gain work experience or by supporting entrepreneurial endeavours hold great potential in traversing the gap between labour demand and labour supply.
- **Leveraging the private sector:** The alignment of public sector employment objectives and private sector business objectives is a key success factor. Leveraging private sector resources by providing training incentives or by

collaborating in public-private partnerships in formulating and implementing employment initiatives markedly boost the chances of success.

- **Broad-based yet focussed:** Many of the initiatives are broad-based and do not target a specific sector. However, most successful initiatives seem to have a clear focus on a specific channel through which to stimulate employment. For instance, providing subsidies for skills development will still allow market forces to determine which sectors see the largest take-up of the initiative. Furthermore, irrespective of the sector targeted, it seems that initiatives that aim to involve different participants in the value chain often have a greater impact. These projects often leverage the expertise of more commercial or advanced segments of the value chain to drive the transfer of skills while also boosting the competitiveness of the targeted beneficiaries. A clear focus and explicit objectives are critical, and simpler interventions can often be most effective.