High Level Policy Dialogue on Youth Unemployment

Lusaka, Zambia,

9th July 2012.

Excellencies, Honorable Ministers, distinguished participants, ladies and gentlemen,

On behalf of the President of the African Development Bank and on my own behalf, let me welcome you to this important and timely high level policy dialogue on youth unemployment that will focus on the challenges and opportunities faced by the following countries in the Southern Africa region: Angola, Madagascar, Malawi, Mauritius, Mozambique and Zambia

The African Economic Outlook 2012 has a special theme that focuses on promoting youth employment which is among the mid-term challenges that require resolute action from African policymakers. Creating productive employment for Africa’s rapidly growing young population is an immense challenge, but also the key to future prosperity.

Distinguished participants, youth unemployment has become a security threat to the social, economic and political stability of nations. Young people face real and increasing difficulty in finding decent work with each passing day.

Globally, the world will need to create some 40 million new jobs each year for new market entrants, in addition to absorbing the 200 million who are unemployed in 2012 (of whom 75 million are young people). The challenge is formidable and unless there are significant changes in the policy environment, there are likely to
be considerable consequences for young people, with the associated risks of social unrest and loss of faith in social progress. These risks are no longer potential, but real.

Over the course of the past year youth-led movement calling for “social justice, freedom and jobs” was ignited by Mohamed Boazizi, a street vendor in Tunisia, picked up by young Egyptians in Tahrir Square, followed by the revolution in Libya, and spread to Europe, passing through Madrid and Greece, reaching Wall Street and becoming the “Occupy” movement.

The Euro crisis and austerity measure in Europe has resulted in a radical shift in youth unemployment. For example, in Spain, youth unemployment was 17.4% in March 2007 and had risen to 51.1% by March 2012. In Greece and Portugal the youth unemployment rate increased from 21% and 18% in March 2007 to 51% and 36% in March 2012. India and China, have also witnessing decreasing rates of job creation and many young people had to settle for low-quality jobs in the informal economy.

Honorable Ministers, distinguished participants turning our attention to Africa, with almost 200 million people aged between 15 and 24, Africa has the youngest population in the world and by 2030 nearly one in four young people will be African. This presents Africa with an enormous opportunity – but it could also present a significant risk and threat to social cohesion and political stability if Africa fails to create sufficient economic and employment opportunities to support decent living conditions for this group.
In the Southern Africa region, the youth unemployment rate varies from country to country. In Angola unemployment is estimated at 26%. Madagascar’s nationwide level of unemployment is 3.8% while that of young people is 5.9%, however there is a very high level of underemployment which stands at 42.2%. For Mauritius, youth unemployment is 21.9% in 2011, which is three times the national average. In Mozambique, many new entrants to the labour market have to take marginal jobs in the informal economy. Finally in Zambia tackling unemployment remains one of the government’s foremost policy challenges and the high youth unemployment and slow progress in poverty reduction overshadows any gains made from the impressive economic growth of about 5% in the last few years.

**Distinguished participants**, some countries in the region are putting in place policies to address youth unemployment. Mauritius has a national human resource development plan. This plan provides the policy framework for education, training programmes and career development to meet the skills demands of employers and reduce the mismatch between supply and demand. In Zambia the government has put in place a national youth policy and youth enterprise fund which stress the creation of youth employment through entrepreneurship to accelerate poverty reduction.

The situation of youth employment thus deserves urgent attention. Not only does it threaten to violate the principle of equality and solidarity between generations, which is an important aspect of social justice. This therefore calls for a paradigm shift.

Over the last decade, Africa has seen an unparalleled and sustained improvement in growth, with more countries registering annual growth of 5% a year or more.
Between 2000 and 2010 six of the world’s 10 fastest growing economies were in Africa. However in most cases, this growth has not generated the number of jobs necessary to absorb the 10-12 million young, and increasingly educated, people entering the labor market each year. Governments have found it difficult to bridge the gap between economic growth and job creation. This raises profound policy implications for African governments in terms of economic inclusion, social cohesion, and global competitiveness.

Leveraging this youth cohort productively and effectively could lead to prolonged economic growth and a substantial reduction in poverty such as:-

- increased productivity and employment.
- opportunities for on-the-job training and the transfer of skills, which directly leads to a greater accumulation of human capital.
- reduce income inequality thereby enhancing the prospects for social coherence and stability – key ingredients for inclusive growth and development.

Supply factors constraining youth employment include high prevalence of illiteracy among African youth and a disconnect between 20th century education systems and 21st century labor market demands. Paradoxically and concomitantly, African countries are increasingly experiencing the phenomenon of the “educated unemployed” resulting from mass higher education. Governments should prioritise measures that target young people most at risk by strengthen apprenticeship and other vocational training programmes for low-skilled youth. For those youth at greatest risk of social exclusion, while back-to-the-classroom strategies might
prove counterproductive for them, training programmes taught outside traditional schools, combined with regular exposure to work experience and adult mentoring, are often better strategies for these school dropouts.

On the demand side, governments should provide incentives to small, medium and micro enterprises (SMME) that employ youth through apprenticeship and internship schemes. Governments should encourage SMMEs to hire youth by reducing social security contributions or introducing wage subsidies.

**Honorable Ministers, distinguished ladies and gentlemen** sound youth employment policies must be grounded in the principle that investing in young people is a deliberate strategy for genuine economic growth and social development. Allow me to cite some few examples of best practices.

In some European countries, apprenticeship schemes were found to perform well compared to school-based education. France offered a one-year exemption from social security charges for firms recruiting young apprentices while Australia instituted a bonus payment for employers for successfully completed apprenticeships. Germany is well known for its apprenticeship programs through provision of financing and mentoring of young people. Firms employing apprentices also received preferential treatment in bids for new government-funded infrastructure projects.

In Uruguay, students supplement their theoretical learning by acquiring skills through work performed in a company for a minimum period of three months. Other schemes, such as on-the-job training in Bulgaria, offer employment contracts to young people for a period of six months, during which they receive vocational training and a minimum salary if they are employed on a full-time basis. In return,
employers receive significant subsidies for the period of the training course. China is tackling the graduate unemployment problem through an “internship programme” to provide in-house training to 1 million university graduates by encouraging graduates to work at the grass-roots level and in the underdeveloped western regions to support rural education, agricultural construction and rural health services.

Examples of some African countries implementing youth employment programs are (i) the expanded public works program in infrastructure in South Africa targeting 5 million unskilled and semi-skilled workers; (i) Senegal’s public works program (AGETIP) which has been replicated in 10 countries that provides training and placement for future employment; (iii) Mozambique feeder roads project that builds and repairs feeder roads and war damaged roads targeting the rural community and women and (iv) Kenya’s jua kali voucher program targeting unemployed youths.

**Distinguished participants**, it has become clear that there are no quick fixes to ensuring that all young people can get off to a good start in the labour market. Stronger job creation is a key part of the solution but will not help all youth unless accompanied by other measures. First, policies must be put in place to overcome the long-term failure to give all youth a better start in the labour market. To start with, “preventative” measures must be taken to improve early childhood education and care, particularly for children from low-income families and disadvantaged backgrounds. To be fully effective, these measures need to be sustained through the period of compulsory schooling based on quality supported by school feeding programs, a focus on science, technology and innovation and decent wages for teachers.
Excellencies, Honorable Minister, ladies and gentlemen, let me finally let me say a few words about the African Development Bank Group new Long-Term Strategy (LTS). The Bank’s LTS will emphasize inclusive economic growth that produces wider access to economic opportunities for Africans across age, gender, regional and geographic divides. To achieve this, the Bank will focus on creating productive employment. Specific actions will include: investing in infrastructure, regional integration and regional markets that unlocks growth and development potential for the private sector and enhances community participation, including youth and women and ensuring that training better matches the opportunities and requirements of international, regional and local job markets.

The Bank will support Africa in transitioning to greener growth by promoting sustainable natural resource management, by empowering African countries to use wind, solar, geo-thermal sources clean and renewable sources of energy and making climate adaptation a priority and contributing to global mitigation efforts without compromising economic growth. Indeed, the Bank should help Africa to harness the green growth movement as an opportunity to spur economic development, job creation and innovation.

Distinguished participants, in concluding, let me seize this opportunity once again to appreciate your presence here today and to express my deepest appreciation and gratitude to the Zambian authorities and people for hosting this important gathering.

Thank you for your attention.