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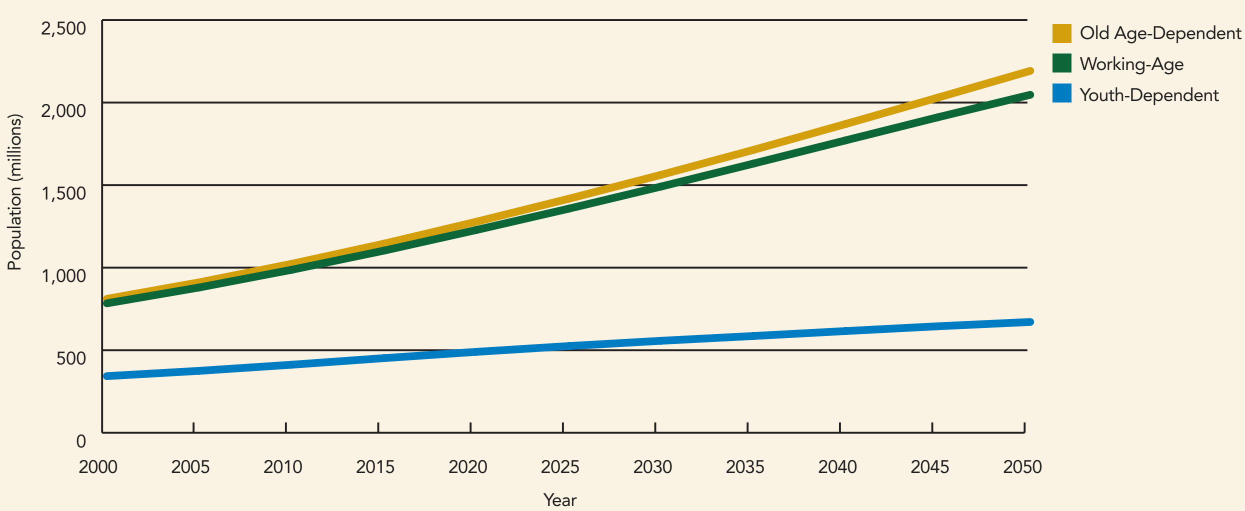
CREATING JOBS:
CHALLENGE FOR A DEMOGRAPHIC DIVIDEND

With a population expected to roughly double by 2050 and a gross domestic product (GDP) growth rate of more than 5 percent a year, Africa is the world's second-fastest developing continent. Yet Africa faces the challenge of creating enough jobs to support its growing working-age population—especially the increasing number of young people. Within the past 10 years, Africa has created over 37 million wage-paying jobs; however, the pace of job creation must accelerate to keep up with the number of people that need employment and to maintain high levels of economic growth.

For African countries to realize the rewards of a growing labor force, policymakers need to make investments that:

- **Achieve a population age structure** in which the working-age population (ages 15 to 64) is the largest share of the total population.
- **Identify sectors of the economy** that can grow and create jobs.
- **Ensure that a supply of skilled workers** is available to fill jobs in those key sectors.
- **Promote pro-growth economic policies** and build the infrastructure needed to support increased economic activity.

Africa's Working-Age Population Grows Larger



Between 2000 and 2050, the size of Africa's working-age population is projected to grow from 442 million to 1.4 billion. For Africa to realized a demographic dividend, it first must make strategic investments to ensure that the share of the population that is youth-dependent decreases and that the share that is working-age increases. At the same time, African countries must also expand labor-intensive subsectors of the economy and support the creation of higher-paying jobs so that economic growth and poverty reduction both take place.

A GROWING WORKING-AGE POPULATION AND THE DEMOGRAPHIC DIVIDEND

Between 1970 and 2010, Africa's working-age population grew from 92 million to almost 575 million, and will continue growing over the next 40 years. As youth grow older between now and 2050, the size of the working-age population relative to the younger dependent-age population (under age 15) is projected to increase significantly, helping to set the stage for a demographic dividend. Over time, many African countries can become poised to move toward a window of opportunity for a dividend, but their labor and capital markets must also be ready for this change in the population age structure. Failure to absorb the large working-age population into productive, formal-sector employment could have an opposite effect on African economies, inevitably leading to contracting markets and stagnant growth.

CREATING JOBS IN LABOR-INTENSIVE SECTORS

Although population growth rates are slowing in many African countries, the size of African youth cohorts will continue to grow, and by 2050, almost 400 million Africans will be between the ages of 15 and 24. Such a large youth cohort has several potential implications for the labor market, including a large number of unemployed or inactive youth, a growing informal sector, and a smaller share of wage-employed workers.

Even as fertility declines, the size of the working-age population will continue to grow and African nations are faced with the even greater challenge of creating sufficient, stable employment opportunities. While the official average unemployment rate in Africa is 9 percent, this rate does not reflect the fact that many are engaged in subsistence agriculture or informal self-employment in order to survive. Over the past decade, only 37 million were employed in steady wage-paying jobs, while 52 million turned to subsistence labor and other informal employment activities to earn income.

While most economic development plans in Africa help guide policy, they are not a substitute for a more specific job-creation strategy. The economic sectors highlighted in development plans—such as mining, oil, and gas—contribute significantly to GDP, but rely less on labor and more on capital goods and machinery to produce output. As a result, expansion in these sectors adds few jobs to the labor market. On the other hand, government and social-sector jobs have accounted for the largest share of job growth in Africa over the past 10 years but contribute a smaller share to GDP growth. But in between the extractive and social sectors are sectors such as manufacturing, retail, hospitality, and agriculture that are often labor-intensive and contribute substantially to both employment growth and GDP growth. A successful jobs creation strategy must identify and promote growth in these sectors.

IMPROVING EDUCATION AND GLOBAL COMPETITIVENESS

Africa has made significant strides in educating its workforce. In the past decade, the share of Africans with a secondary or higher education today has increase from 32 percent to over 40 percent and is set to rise to 48 percent by 2020. However, there is still much need to invest in raising the quality of the educational system and to provide more vocational training to help develop key workforce skills. Postsecondary education programs must also adapt to the changing needs of the global economy by refocusing efforts on engineering, mathematics, science, and other marketable skills that will make Africans more competitive in the international labor market.

IMPLEMENTING PRO-GROWTH ECONOMIC POLICY AND IMPROVING INFRASTRUCTURE

Despite more than a decade of economic growth, many African businesses remain concerned about political instability, corruption, and the threat of inflation. Many businesses lack adequate infrastructure—including access to electricity and reliable transportation—and companies continue to lose opportunities for growth and expansion because of corruption risks. Implementing financial reforms and policies that eliminate unnecessary regulation, bureaucracy, and corruption—all of which raise the cost of doing business—will aid in creating a more attractive business atmosphere, increase investment, and foster growth. African leaders must strive to maintain the improved macroeconomic environment of the past decade, and they must continue to pursue reforms that promote economic expansion. However, focusing on GDP growth alone will not be enough to ensure that Africa's economic growth will benefit everyone or that they will have access to jobs. To achieve growth for job creation, nations should focus on business reforms in the sectors that have the potential to create large numbers of jobs. The experience of countries in Africa and elsewhere has shown that an explicit jobs strategy that encourages growth in labor-intensive sectors can have significant and positive results.

A FAVORABLE POLICY ENVIRONMENT IS KEY

The extent to which Africa will be able to benefit from its young population and reap the rewards of the demographic dividend depends heavily on a favorable policy environment. Good governance matters, as does solid macroeconomic management, well-functioning financial and labor markets, and effective investments in health and education. Only by considering these factors together can African countries realize a dividend from shifting population age structures and ensure high, sustainable levels of economic growth, productivity, and development.

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