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# Labour Market in Africa: 3D Seminar

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# How to create jobs in Africa ?

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- Africa has rapid population growth,
- and a huge number of young people entering the labour market every year
- In addition, many refugees and internally displaced persons searching for jobs
- How to create more jobs ?
- What can we learn from Active Labour Market Policies (ALMP)

# Literature review

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Numerous other projects had aimed at the creation of jobs and income opportunities in Africa

Some projects had been accompanied by rigorous impact evaluations

Large scientific literature on Active Labour Market Programmes, mostly on developed countries, formal labor markets

Much less research on displaced populations, refugees or host communities and economies dominated by labour informality and under-developed private sector (Ethiopia)

# Literature review

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Active Labour Market Programmes (ALMP) became very popular in Europe (and later elsewhere) after 1990 (Eastern Europe left Soviet block), when unemployment rose and remained stagnant

→ Idea: support unemployed people actively, and not only via money (unemployment benefits)

Many countries enacted such policies, and soon afterwards, impact evaluations were implemented in many countries. Programs similar across countries and same outcome variables (employment status) → Ideal situation for meta studies

Meta studies often covered low- and high-income countries

# Literature review

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## Meta Studies: e.g.

- Carranza McKenzie (2023) Job Training and Job Search Assistance Policies in Developing Countries
- Kluge, Puerto Robalino, Romero, Rother, Stöterau, Weidenkaff, Witte (2017) Interventions to improve the labour market outcomes of youth: a systematic review
- Gehrke, Hartwig (2018) Productive effects of public works programs: What do we know? What should we know?
- McKenzie (2017) How Effective are Active Labor Market Policies in Developing Countries? A Critical Review of Recent Evidence
- Blattman, Christopher and Laura Ralston (2015) Generating employment in poor and fragile states: Evidence from labor market and entrepreneurship programs.
- Cho, Honorati (2014) Entrepreneurship programs in developing countries: A meta regression analysis
- McKenzie, Woodruff (2013) What Are We Learning from Business Training and Entrepreneurship Evaluations around the Developing World?
- Grimm, Paffhausen (2015) Do interventions targeted at micro-entrepreneurs and small and medium-sized firms create jobs? A systematic review of the evidence for low and middle income countries

and many others

# Literature review

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Overall often modest effects, partly also due to crowding-out

→ treated persons find jobs, but others lose them instead

ALMP can perform very well during a temporary shock (recession),

but not so well as a general policy tool

→ overall increase of number of jobs at national level not possible

Furthermore, positive impacts often decrease quickly over time

But it can help marginalized groups to enter the labor market

→ effects not huge, so depends on willingness-to-pay-by-public-sector

Generally: publicly provided services have no or little effects

→ close collaboration with private sector employers important

Ideally: public sector as Regulator, private sector does Service Delivery

# Types of active labour market policies

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- job training, skills development, for workers
- (temporary) wage subsidies, subsidized wage employment
- job search assistance, labour market intermediation, job search support
- public works
- support for self-employment, business training, entrepreneurial trainings
- microfinance support
- business development services
  
- New labour markets through digitalized international services, vastly growing international labour market, where services are exported to rich countries (e.g. Europe, USA) → very large potential, but not much research yet and only accessible for educated persons with foreign language skills

# Job Training (vocational training)

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Usually, relatively short trainings (3 to 6 months, or less), e.g. as internship, on the job training), or classroom based vocational training

McKenzie (2017) meta study: 2.3 percentage point increase in employment

Agarwal & Mani (2023): 4 pp increase in employment (and 8.2 % in earnings)

Card, Kluve, Weber (2018): 2 pp increase in employment after one year, and  
6.6 pp increase in employment after two to three years,

a) there are positive employment effects, but they are **not** huge

b) Generally earnings effects often insignificant (also due to statistical imprecision)

c) it appears that employment effects increase over time (but not many studies) as labour market attachment accumulates



# Job Training (vocational training)

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d) Public sector operated programmes perform worse (on average)

i) Vocational training needs to be demand driven - content of vocational training needs to be developed in close cooperation with employers/companies/firms to align with their needs

Public sector as Regulator, private sector for Service Delivery

ii) Ideally, training providers paid upon success (i.e. not number of people trained, but: number of people successfully placed into (long-term) employment) – results based contracting. Potentially interesting, but very strong monitoring required since private providers would „cheat the system“ – can only work in countries where the regulator is very powerful (as well as monitored as well)

# Labour market intermediation – job search

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Card, Kluve, Weber (2018): 1.1 to 2 pp increase in employment  
(in meta study, but for high-income countries mainly)

Hence, effects are modest (but costs of interventions also modest)

Simply training people on how to write CV, application and search for jobs quite limited effectiveness

More helpful if:

- certification/verification of skills (because most employers do not trust CVs and rather hire from family or networks or friends of employees)
- address „intention-action gap“: e.g. goal setting, or lower the reservation wages
- or train people „How to behave“, Punctuality, no absenteeism, compliance rules

# Business development services

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Business development services, entrepreneurship training

Overall little research; in addition hardly any research that estimates effects for more than 1 year → Hence, only results on short-term effects exists

Usually no effects on profitability/incomes (due to statistical noise, sample size)

Main outcome measure: opening of business and survival of business

McKenzie/Woodruff (2013): average age 35 to 45 years (do not focus on youth)

For existing firms: Positive effects of training for male business owners, negative effects for female business owners, on survival

For new businesses: Training helps to speed up the process of opening a new business (but only for those who had planned to open a new business anyway)

# Public works - public employment creation

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Gehrke and Hartwig (2018) – review article

General concern: in economically successful countries most jobs are created by the private sector

Public sector employment can be temporarily useful, but not for long-run economic development

Overall assessment for Public Works not positive: little effects but high costs

- better use Cash Transfers for money transfer
- and let jobs be created by private sector

# Temporary wage subsidies

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Generally: distorts the labour market: some people are hired and others are fired

McKenzie (2017) reviewed various studies and found sizeable effects in short-term (e.g. a very large effect of 38 pp increase employment after 6 months in Jordan), but effects vanish once subsidy ends (e.g. after one or two years)

Very effective, if the aim is to have certain groups enter the labour market (if one accepts that others will be laid off instead)

For inexperienced unemployed youths, temporary wage subsidies can bridge initially the gap between the (low) wages employers are willing to pay and the high reservation wages of youth

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# Summary and conclusions

# Jobs for Africa

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Important:

- 1) Distinguish between Total Number of Jobs, and
- 2) Equity/targeting dimensions, e.g. jobs for poor, marginalized, youth

As regards (1): Total number of jobs

- ALMP overall rather limited effects;
- better focus on labour demand, i.e. business friendly environment
- BUT: Large new labour market for “international services”, i.e. many white collar jobs can be outsourced from US/Europe to Africa/India → few RCTs yet
- BUT: These jobs are for highly educated (i.e. fluent in english etc).

For (2): ALMPs can have quite large effects to have people enter the labour market

# Jobs for Africa

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Important:

2) Equity/targeting dimensions, e.g. jobs for poor, marginalized, youth

For (2): ALMPs can have quite large effects to have people enter the labour market

Usually not cost-effective – who should pay for ALMP in Africa ?

- a) Poor households ?
- b) National governments, i.e. financed by taxes/public resources
- c) Europe, USA, World Bank ?