KEY MESSAGES:
The experience to date with labor market interventions in Africa is mixed, though a new generation of interventions is now being implemented. These range from the reform of formal vocational training systems to innovations in training and business development for young people. There are also some promising new approaches to promoting market-based skills development and providing complementary services that increase access to employment and income for the poor and vulnerable. Many of these approaches are focused on the informal sector, given its prominence in the African labor market. In the future, policymakers should seek to leverage scarce public resources by partnering with NGOs and the private sector to provide labor market services. The effort to create employment opportunities should be accompanied by investments in household enterprises and support for entrepreneurship, particularly focusing on young people.

OVERVIEW
Volatility in employment and income and the entrenched vulnerability of certain groups that constrains their access to jobs are central to the social protection agenda. The social protection goals of labor market programs are to encourage employment creation, enhance the productivity and the employability of workers, and ensure decent working conditions.

Active labor market programs (ALMPs) are aimed at helping beneficiaries to find gainful employment or otherwise increase their earnings capacity. There are many different types of ALMPs, including programs that provide job seekers with information (employment services), that narrow skills gaps (training and retraining), that overcome capital constraints (micro-credit), and that stimulate employment demand (public works and wage subsidies). Programs that support self-employment and entrepreneurship, which have an important role to play given the limited extent of the formal sector in Africa, can combine several of these.1 Active labor market programs cannot be expected to create a large number of jobs as these are more likely to arise as a result of private sector growth, but they can help poor and vulnerable groups to find jobs or secure an income.

Labor Market Programs in Africa
Despite strong economic growth in Africa over the past decade, rates of unemployment and underemployment continue to be high. Employment creation is inhibited by both demand and supply constraints. While some jobs are being created, they are often low-productivity jobs concentrated in subsistence agriculture and the urban informal sector. Finding ways of increasing productivity in the non-farm informal sector and reducing barriers preventing workers from moving from farm to non-farm activities and from the informal to the formal sectors are critical for most countries in the region. Structural issues like the demographic youth bulge, increasing urbanization, and the shift of African economies from relying on agriculture to services or industry must also be taken into account in countries’ labor market strategies. Additionally, the large numbers of low-skilled youths in fragile states (such as child laborers, school dropouts, and former soldiers) face barriers to accessing the labor market, which highlights the need for interventions to reintegrate them into the workforce.

1 In addition to ALMPs, labor regulations also aim to protect workers’ rights and improve working conditions. Examples include wage regulations, hiring and dismissal procedures, social insurance, and health and safety regulations. However, the Bank’s social protection focus in Africa has primarily been on ALMPs and so this policy brief retains that focus.
Most governments have introduced ALMPs, most of them small in size. They often overlap in terms of their targeting and approach, are often costly (ranging from 0.3 to 1 percent of GDP), and tend to be inaccessible for vulnerable groups like the poor and women. Past experience with ALMPs in Africa has found that they do not always focus on the skills most needed by the economy, which limits their effectiveness. There has been little experience in Africa with labor programs that aim to change the structure of demand, for instance, by using employment subsidies. Also, few countries offer public employment services or other job matching initiatives. At the macro level, labor market interventions are necessary but are not always sufficient to increase the employability and productivity of the workforce, as the composition of growth and other external factors also play a role.

Reforms introduced in many African countries in the last decade have centered on improving the governance of training programs and increasing the relevance and improving the quality of skills development programs. For example, in Senegal the National Social Dialogue Commission on labor reforms, which comprised representatives of labor, the private sector, and the government, set priorities for enterprise training and revised labor market laws. In Namibia, the establishment of the National Training Authority increased the quality of and the number of enrollments in vocational training centers. Governments are moving away from financing inputs for training and towards financing training providers based on their performance and outcomes, including internships and other forms of skill development.

Key Design Elements

Experience accrued in Africa over the last decade has shown that:

- **Training funds and vouchers** can be effective in increasing the supply of training. In Kenya, the use of vouchers for unemployed youth as a mechanism for accessing training in the informal sector led to more relevant, higher quality apprenticeships. However, some training funds have had administrative problems and have not been financially sustainable.

- To be effective, skills development programs need to teach not only technical skills but also life and business management skills. They also need to offer a flexible training schedule to make it as easy as possible for trainees to participate. In addition, in Tanzania in-kind contributions were accepted as payment, which helped cash-poor individuals to participate.

- To be successful, **internship programs must be accompanied by training**. Governments should ensure that companies provide interns with adequate supervision and guidance, a clear work plan, opportunities for networking and training, and opportunities for career advancement. It is also valuable if academic or vocational training institutes can be closely involved in implementation of these programs.

- Some African countries have invested in **micro-finance, entrepreneurship, and the development of household enterprises**. For example, this has been done effectively in Benin and Senegal by providing enterprise grants to communities and entrepreneurship training to local groups via social funds.

- **Youth employment** programs are expanding rapidly and have had some initial success (see box below). In the African context, these innovations have focused on the informal sector, as in Kenya and Uganda (see country examples box).

Success Factors in Youth Employment Programs

A global review of youth employment programs by the World Bank identified the following success factors:

- **Strong diagnostics** in designing interventions for youth in low-income areas.

- A **comprehensive approach** from both the demand and the supply side, with the participation of the private sector.

- **Complementary interventions**, like combining training with job search and placement assistance.

- **Monitoring and follow-up** of individual participants.

COUNTRY EXAMPLES OF LABOR MARKET PROGRAMS IN AFRICA

Uganda’s Youth Opportunities Program (YOP) is a component of the Northern Uganda Social Action Fund. Initiated in 2005, the YOP provides youths with vocational skills to enable them to earn income and improve their livelihoods. Another aim of YOP is to contribute towards community reconciliation and conflict management. The program provides cash grants to groups of youths (20 to 30 people) to invest in skills training and setting up small businesses. In some cases, this training also provides life skills and psychosocial counseling. Successful proposals receive a lump sum cash transfer of about US$7,100, which they typically spend on technical support and start-up costs. In the initial phase of the program, 530 groups received funding. These groups were randomized to allow for an impact evaluation, which found that both men and women increased their hours in employment outside the home as a result of the program. Two years after the grant, it continues to have large positive economic effects; the numbers of hours of employment outside the household doubled for the beneficiary group and their cash earnings increased by nearly 50 percent more than those of the control group. The grants yielded an estimated real annual return on capital of 35 percent on average. Measures of social cohesion and community support also improved slightly.

Kenya’s Youth Empowerment Project (KYEP) is helping young people to acquire work experience and skills by creating internships and providing relevant training in the formal and informal sectors, in essential life skills, and in business. In response to rising youth unemployment rates in Kenya, the government in partnership with the Kenya Private Sector Alliance and with the support of the World Bank initiated KYEP in 2010. The project targets youths aged 15 to 29 years of age who have at least eight years of schooling and provides them with training, private sector internships, and work experience. Approximately 11,000 young people will benefit over the initial four-year period. A unique aspect of this project is that it is driven by associations of employers who determine the type of training to be provided in each sector and who are well positioned to ensure that the young people are provided with the knowledge and skills demanded by the market.

Mauritius’ Empowerment Program, implemented by the National Empowerment Foundation created in 2008, aims to create job opportunities for the unemployed, for those made redundant from their jobs, for women, for youth entering the labor force, and for small and medium-sized entrepreneurs. It provides them with apprenticeships accompanied by training. As of the end of 2009, almost 14,000 unemployed people were registered with the program and 8,200 had been placed in apprenticeships in firms, 60 percent of whom were retained after the end of the apprenticeship period. In addition, the program organizes job fairs to link job seekers with prospective employers and to advertise the existence of job openings in various sectors. The program helps unemployed women by providing them with financial and technical assistance to set up micro-enterprises. The program also helps foreign employers to access a database of Mauritians who wish to work abroad. To support new entrepreneurs and small and medium-sized enterprises (SMEs), the program has helped to establish five tourist villages (groupings of shopping outlets, restaurants, and leisure facilities) that will cater to tourists, with most of the spaces at these villages being reserved for SMEs. As of the end of 2009, the program’s labor interventions had assisted almost 16,000 people.

Namibia’s Vocational Education and Training Act was passed in 2008 to reform the existing vocational education system, which was suffering from limited capacity, high costs, low quality, and a lack of relevance for the labor market. The Act established a new National Training Authority (NTA) to transform all state-owned vocational training centers (VTCs) into self-managing, financially self-sufficient entities capable of competing with each another and with private training providers. They are funded by the newly created National Training Fund based on their performance and outputs. The vocational education and training (VET) system is being transformed from a very highly centralized system to a new, more decentralized system of provision and delivery. Quality is being improved by reforming the curriculum and investing in tools, equipment, and textbooks for VTCs. To ensure that the VET system continues to provide training that is relevant to the labor market, the NTA is guided by a board comprised of a majority of employers and employees. As a result of these reforms, enrollments in VET grew from a base of 3,011 in 2006 by an average of 55 percent annually up to 2011.
CHALLENGES AND OPPORTUNITIES

The experience with ALMPs in Africa so far suggests the following ways forward:

*Promote market-based skills development for the poor and vulnerable.* Governments should contract out the provision of labor market services to a range of providers (public, private, and NGOs). They should also adopt results-based financing, which holds providers accountable for their training outcomes. Requiring training programs to be accredited can help to ensure the quality of their services, which can take many different forms, including intermediation, skills certification, and internships.

*Help workers to develop skills appropriate for the informal sector.* Providers should take into account the skill requirements of the informal sector, in particular the skills needed to run small and household enterprises. Other priorities include improving the quality of training offered by master craft persons in apprenticeships, expanding second chance education programs, providing information to job seekers on training providers and the benefits of training, and offering vouchers to small businesses and other incentives to encourage them to invest in skills themselves. Traditional apprenticeships can be used to enable workers to learn skills relevant to the informal sector, but these apprenticeships promote future employment commitments.

*Focus on comprehensive interventions.* It is important to provide job seekers with training in the entire range of skills needed to find and keep a job or to run an enterprise. This range includes not only training in specific work-related skills and trades but also in life skills and the skills involved in running a small business. This training should be reinforced by the provision of advisory services, mentoring, and networking opportunities.

*Support household enterprises and entrepreneurship.* Given the low demand for labor in many African countries, self-employment may be the only viable option for many men and women. Therefore, governments should support household enterprises and entrepreneurs, as Uganda has done in its Youth Opportunities Program.

*Enhance the reach of youth-oriented programs.* Most current interventions aimed at reducing youth unemployment are small in scale and have faced challenges related to their sustainability and scalability. While ALMPs cannot be a panacea for large-scale unemployment nor are they a substitute for structural labor market reforms, they can be helpful in increasing the access of young people and other vulnerable groups to the labor market.

*Pilot and evaluate programs in specific country context before scaling them up.* There is no blueprint for an effective ALMP in Africa. Every country is different as is each specific population within each country. Therefore, it is important for ALMPs to be customized in their design and institutional arrangements to the characteristics of the populations that they are aiming to serve and to the constraints that these populations face in seeking employment.

*Develop a sufficient information base of the performance and effectiveness of labor market programs.* Despite the existence of an increasing number of labor programs in Africa, there is little robust information available to evaluate their results across countries and types of interventions. Therefore, national monitoring and evaluation systems need to be strengthened.

Additional Resources and Readings:


Further guidance and toolkits on design and implementation issues can be found on the World Bank’s Social Protection and Labor website: www.worldbank.org/sp