

# What is the private sector challenge in low-income countries – an African perspective

Louise Fox

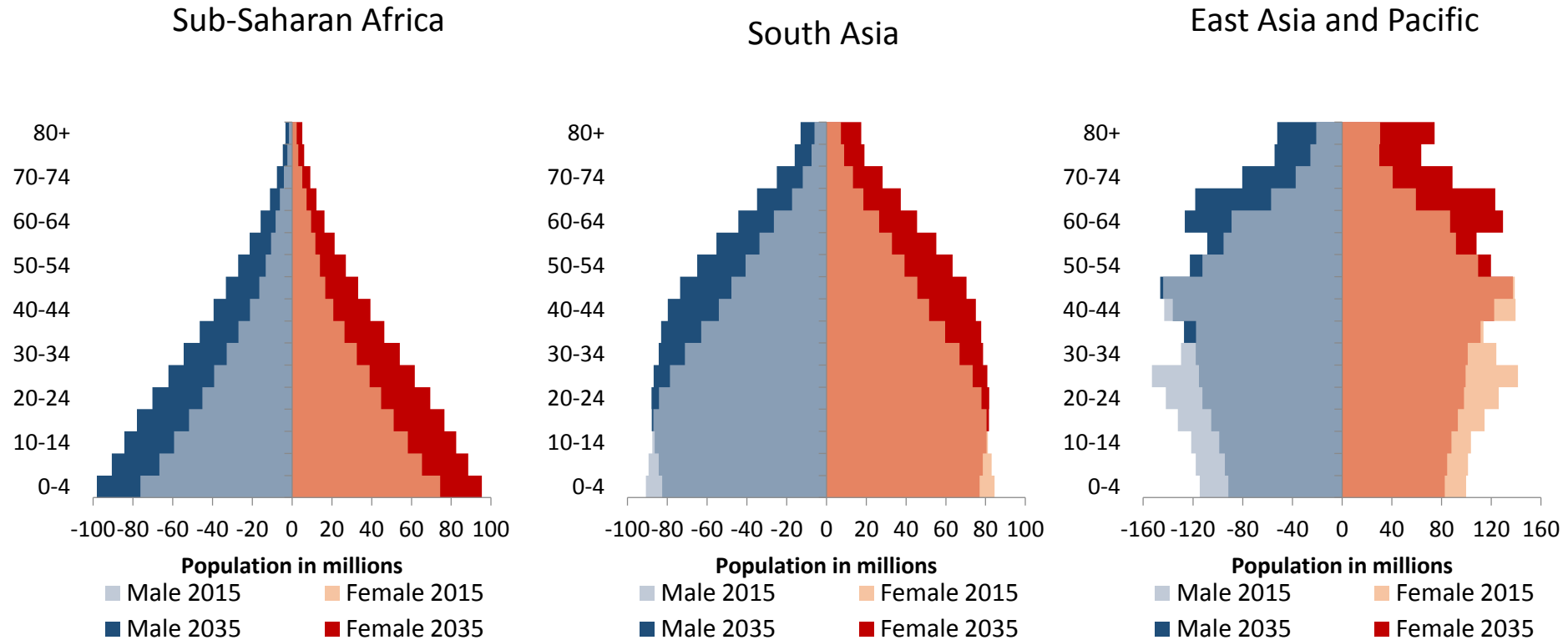
Visiting Professor

University of California, Berkeley

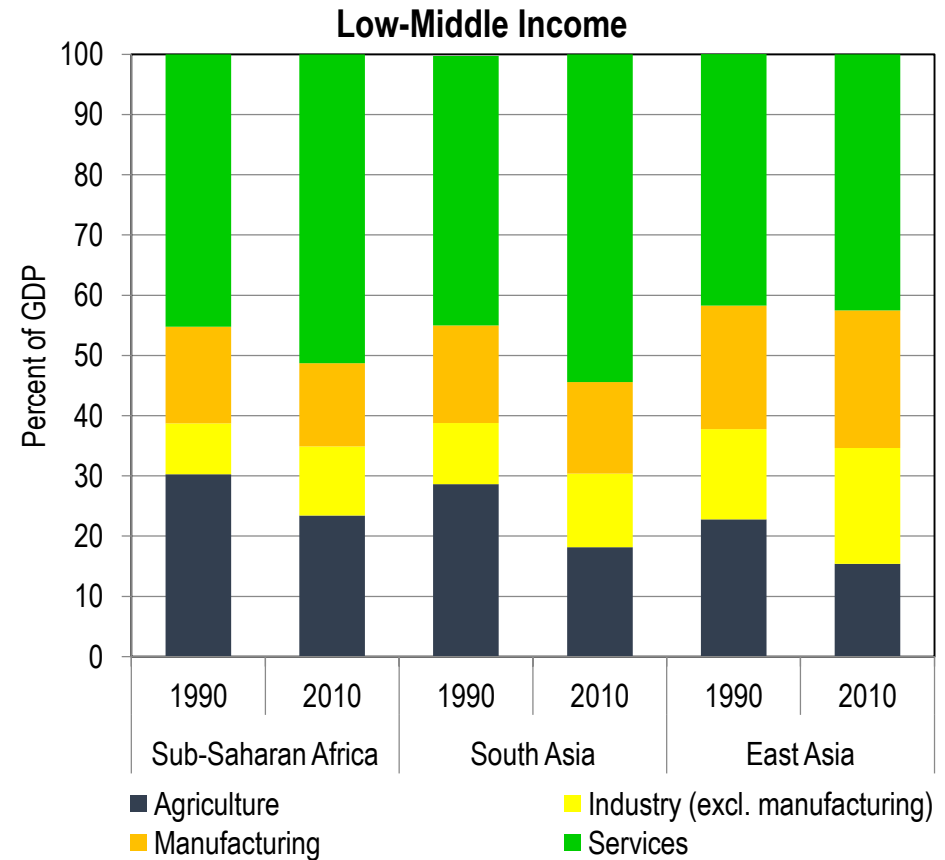
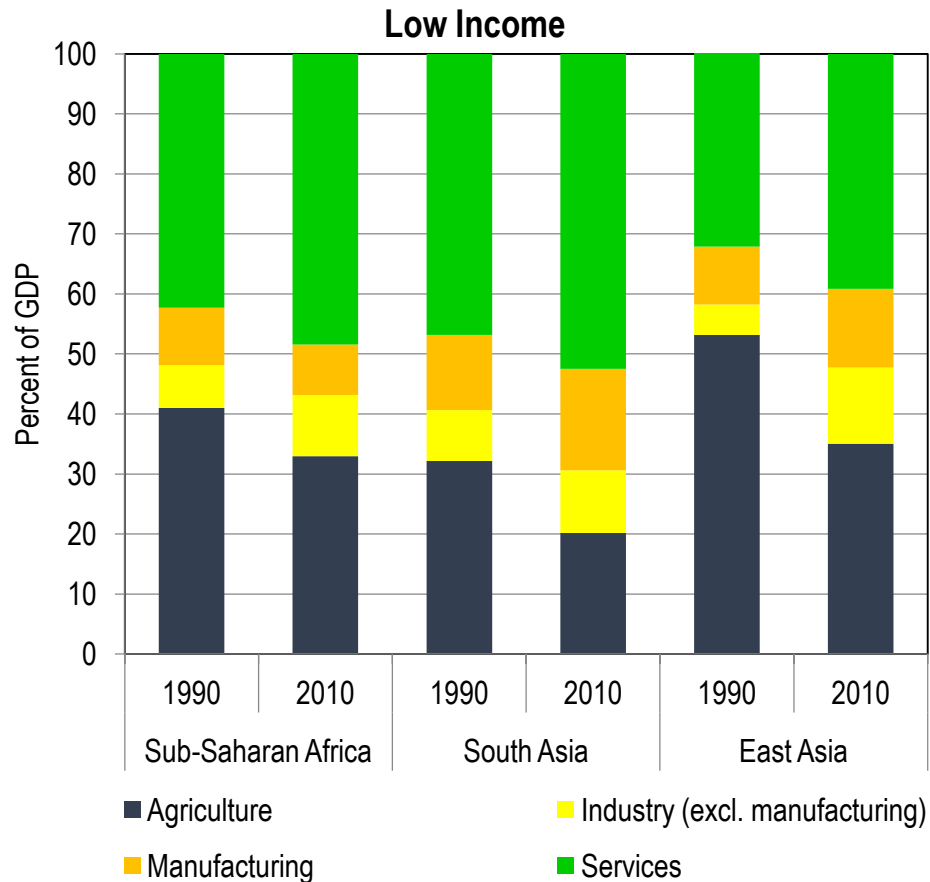
# Overview

- Africa is younger and poorer than low income countries in other regions but some employment challenges are similar in nature, if not in size
- Most low income countries today have a large share of employment in farming and household enterprises (informal enterprises), and a small share in non-agricultural wage employment
- Although many currently in the labor force and most of those about to enter the labor force seek wage jobs, they won't find them. Given Africa's starting point and demographics, they simply can't be created fast enough.
- Private sector development has to include:
  - Increasing the labor intensity of production in nonfarm wage enterprises
  - Raising the productivity of agriculture
  - Increasing the number and raising the productivity of HEs. This needs a specific strategy

# The Challenge and Opportunity: Africa is a Young Continent

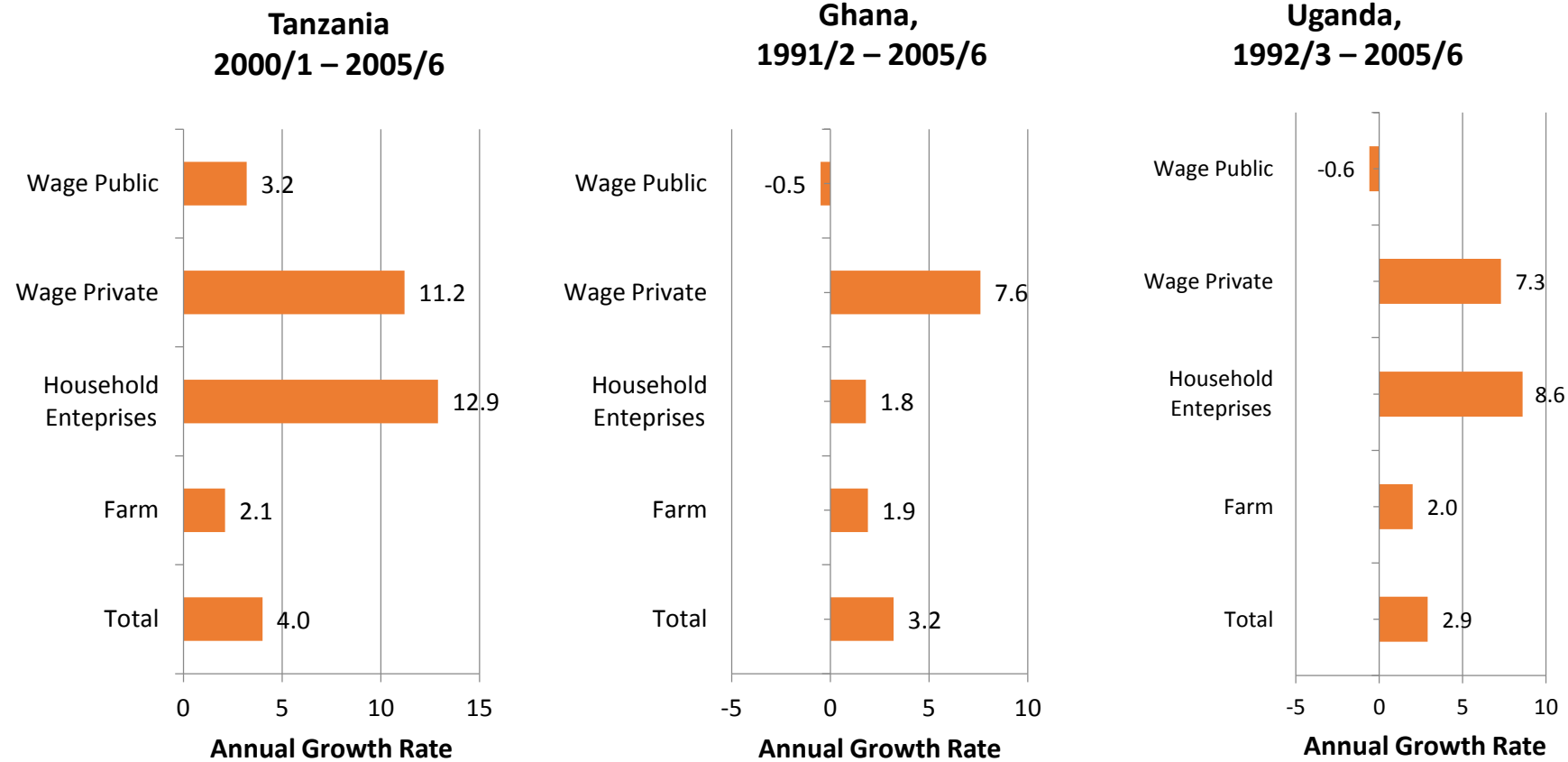


**Over the past two decades, agriculture's share in GDP contracted in Africa, but manufacturing did not replace it**



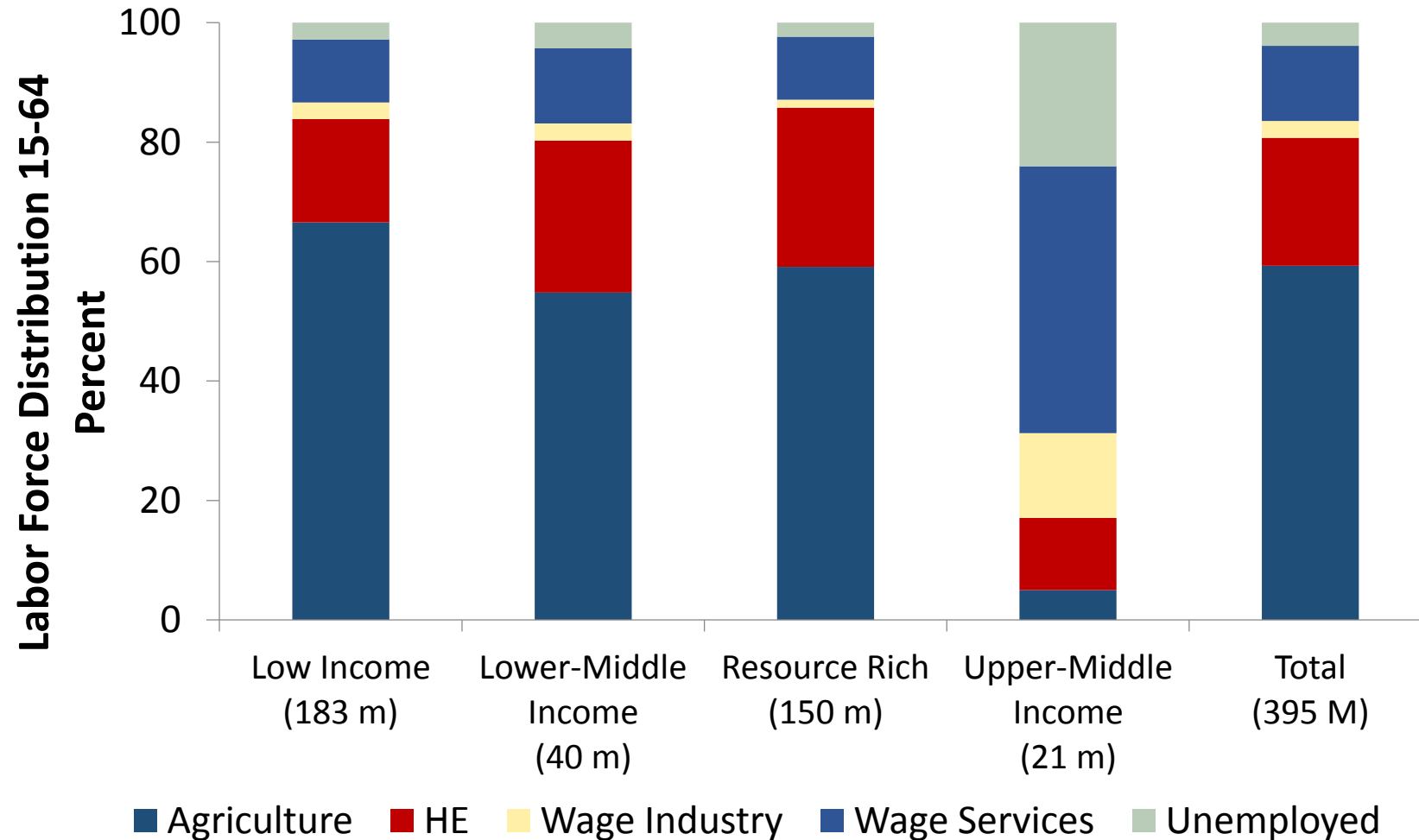
# Growth has not been “Jobless”

Growth in Primary Employment, by type of job (%)



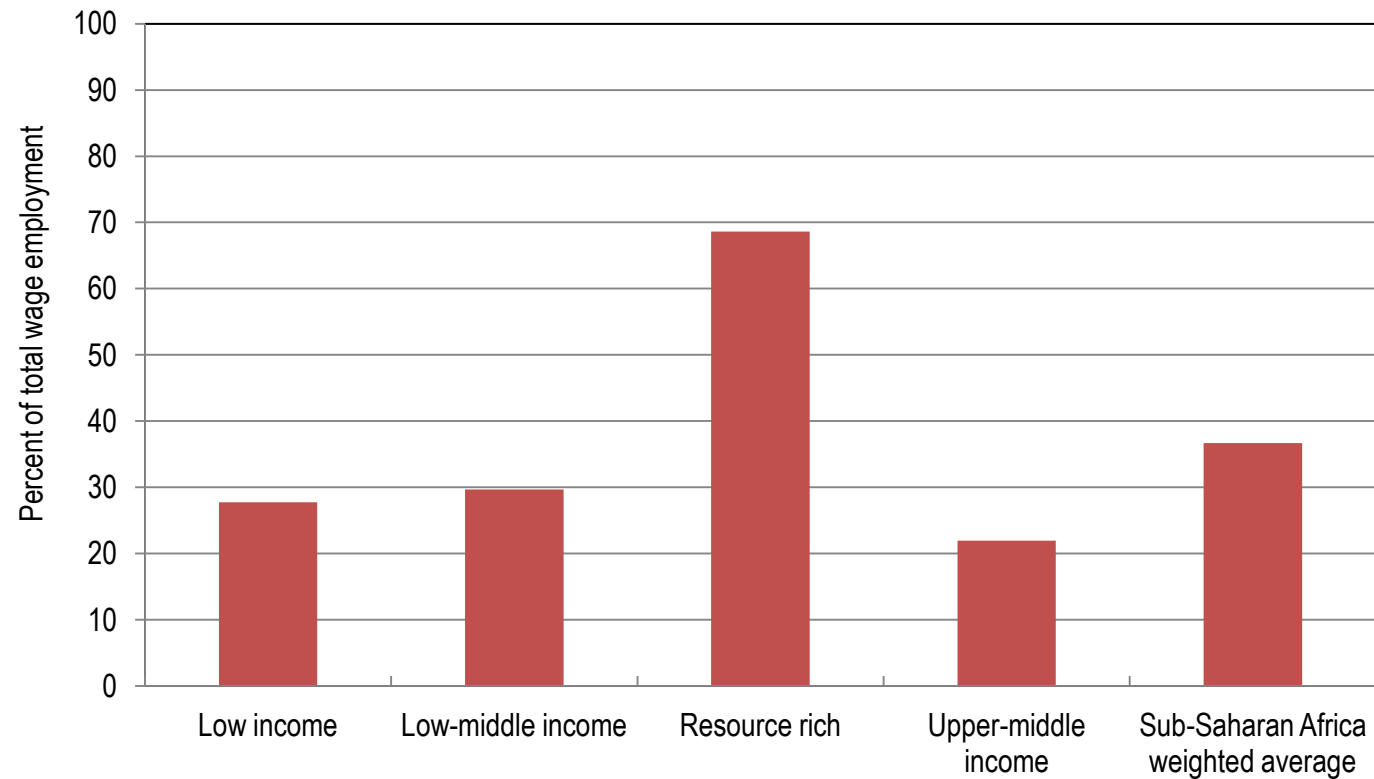
Note: Tanzania is mainland only

Even so, in 2010 most Africans worked in agriculture and household enterprises

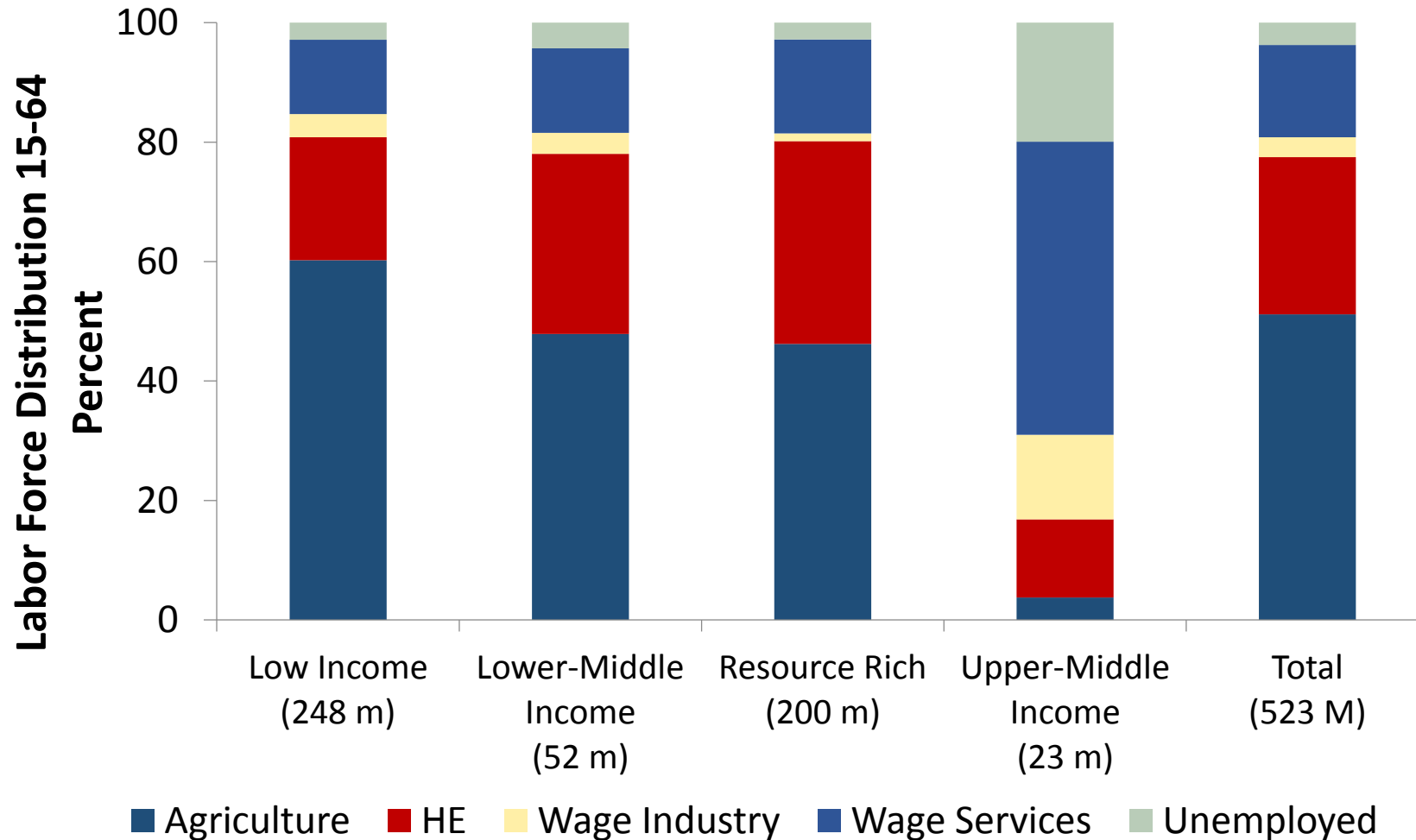


In many countries, the private sector has create most of the wage jobs. But not in Resource Rich countries

Sub-Saharan Africa: Share of Public Sector in Wage Employment, 2005



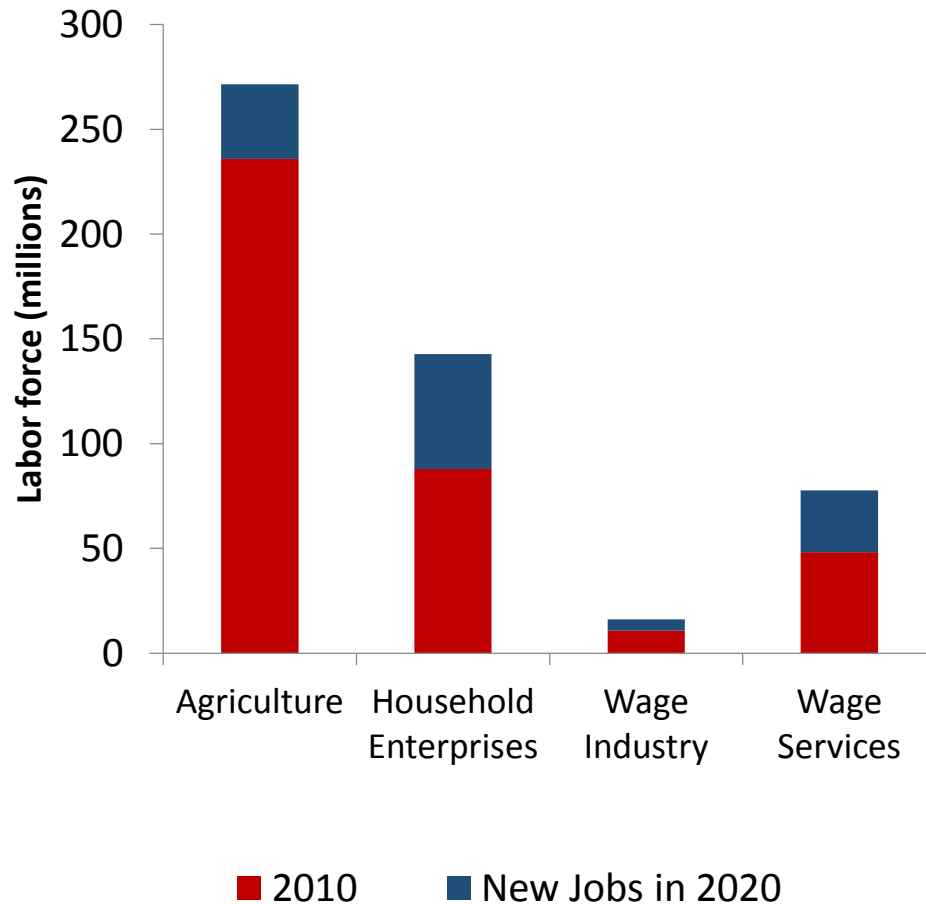
# What will the structure of employment look like in 2020?



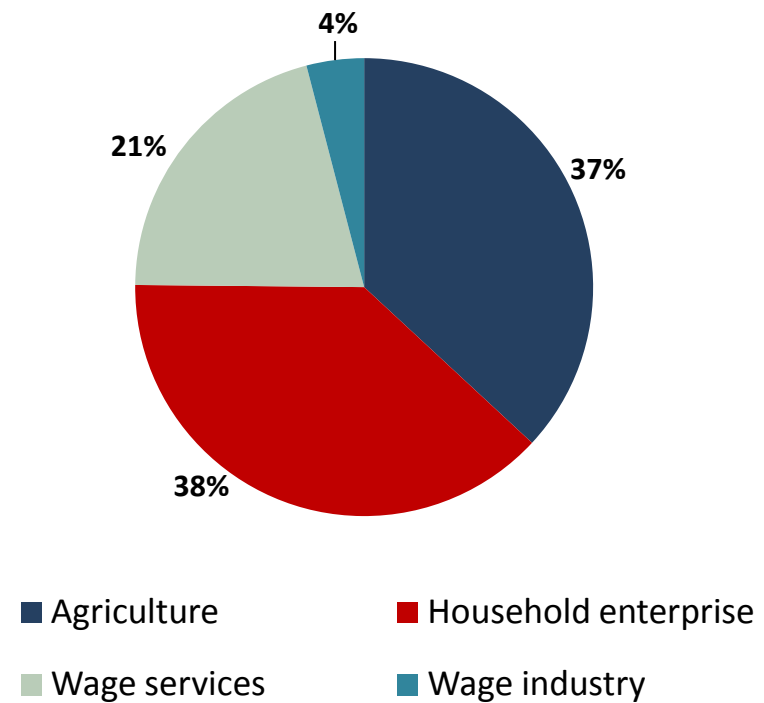


# Where will the new jobs come from?

Projected net new jobs in 2020 compared to 2010

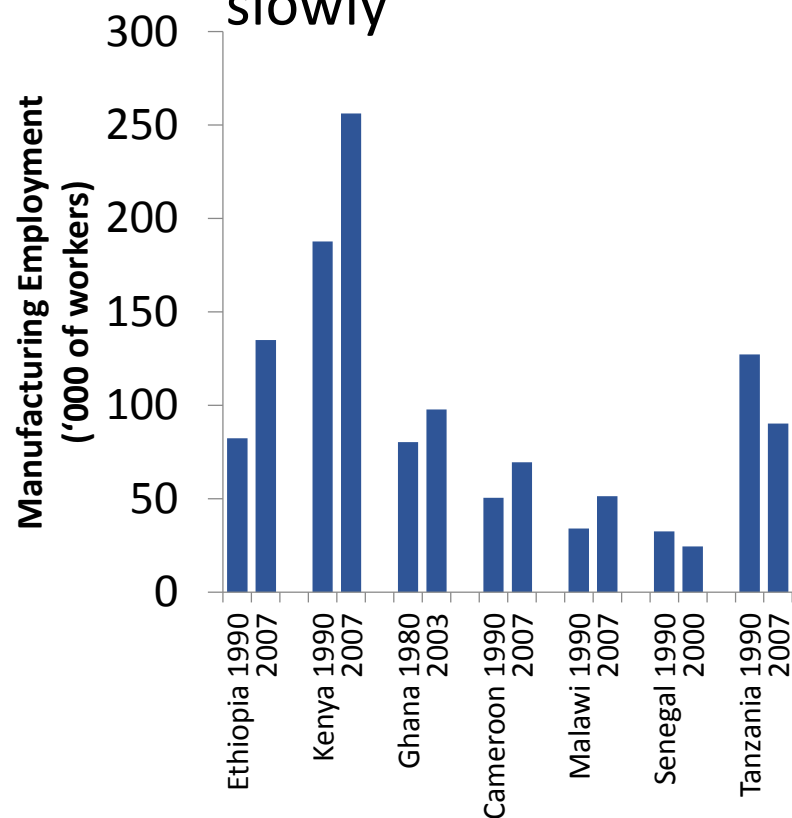


Gross job flows between 2010 and 2020 (percent of new entrant individuals)

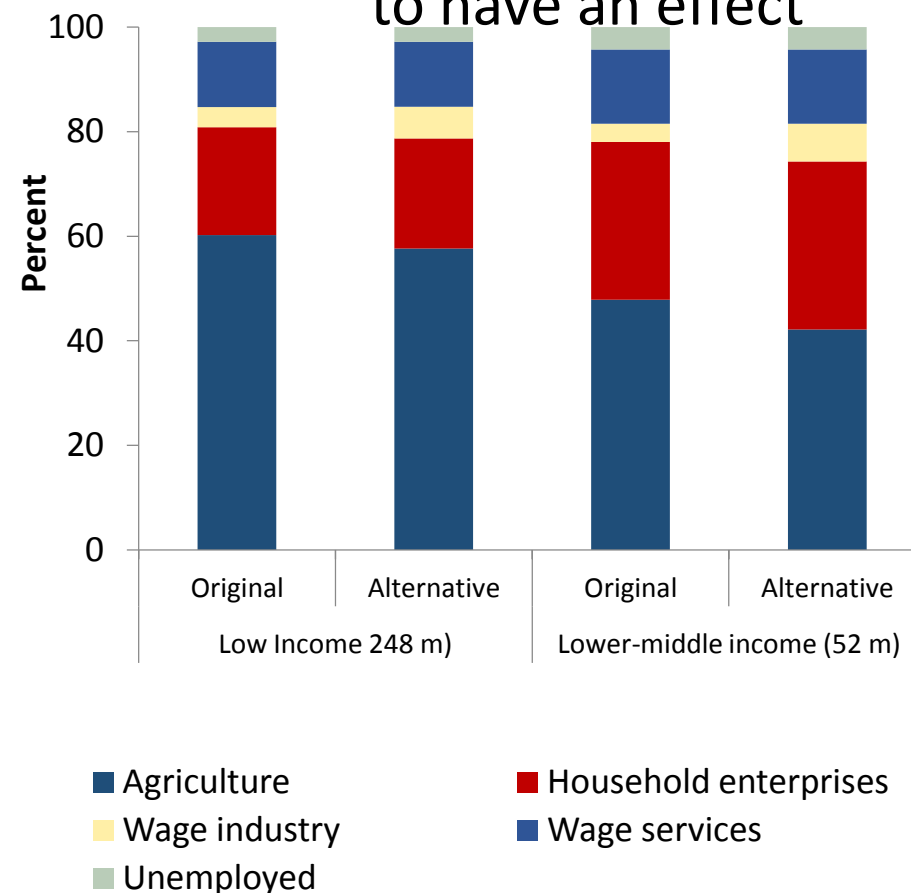


A manufacturing strategy won't solve today's youth employment, but it will help the next generation

Manufacturing employment has grown slowly



“Game changer” scenario will take time to have an effect



# Employment strategies can't just focus on shiny new factories

- HE employment grows by adding new businesses
- Productivity and earnings grow with more sales
  - A place to create/sell products as part of local economic development
  - Basic infrastructure: transportation, water, and energy
  - Municipal services – protection from theft, violence
  - Financial inclusion (savings and credit)
- Linkages with improved agricultural productivity as well as new sectors such as tourism

# Questions

1. Employment strategies are context specific. Are countries adequately assessing their own situation before asking donors to help “create jobs”?
2. Africa is a graveyard of employment pilots. But if local economic development is key to employment strategies, how can external donors be effective? How can local efforts be sustained, lessons learned?
3. Donors are seeking to measure “number of jobs created”. But if everybody is already working in low income countries (even if underemployed), would a better metric be “net productivity of jobs created”? Is such a metric possible in low income project settings?