



JUNE 2024 PLENARY SESSION

Youth, Demographic Dividend, Migration, and Economic Opportunities in African Economies

CONCEPT NOTE

AFRICAN ECONOMIC RESEARCH CONSORTIUM

1. Introduction

The AERC's Biannual Plenary June 2024 is a sequel of December 2023 Session. The plenary session is one of the most respected and highly regarded events that over three decades continued to attract world class development economists and experts on African economies. The insights presented in this plenary offer fresh perspectives and define new frontiers of research that respond to the pressing needs of policy makers. It does mean that the AERC network can generate papers on diverse topics that will serve as inputs to the discussions and policy choices.

AERC has a long tradition of researching these interrelated issues by generating ideas and policies. Africa is grappling with complex issue of creating jobs, migration and demographic dynamics. The labour market aspect of this year's plenary has been a core preoccupation of previous plenary sessions of AERC which underscores the importance of job creation and poverty reduction in the continent. However, one should note that there is an intrinsic link between youth employment opportunities and the demographic transition we are witnessing in Africa which creates the youth bulge entering the labour market putting pressure on job creation (Fox et al, 2016). For instance, the policy panel of the 40th Plenary Session of AERC December biannual in 2015 in Lusaka, Zambia was on "*Youth employment challenges in Africa: Policy options and agenda for future research*". The Human Capital Development knowledge sharing event co-hosted in collaboration with African Centre for Economic Transformation (ACET) in July 2023 at the Africa Human Capital Heads of States Summit in Dar Es Salaam, Tanzania is another case in point. From a policy perspective, youth labour market participation either in wage employment, self-employment and job-generating entrepreneurship is of paramount importance. There is widespread youth unemployment in Africa (Baah-Boateng, 2016). AfDB (2016) projected that in 2025 more than 263 million young people may be economically vulnerable. Equally, it is important to recognize the unique demographic structure of Africa which is skewed towards the youth. Currently, an estimated 420 million youth reside in Africa providing immense potential for economic development if channeled to productive activities (Bandiera et al 2023). Below we outline key issues against each of the sub-themes of the June 2024 plenary.

2. African youth and labour markets

Economic opportunities for African youth, women and the whole population can expand by leveraging technology implementing the African Continental Free Trade Area (AfCFTA) and improvements in educational quality with the aim of inclusive growth. One of the arguments for youth engagement in the productive sectors of the economy is the development of employable skills. Well-educated and healthy individuals with diverse skills are likely to participate in highly valued economic activities, thus boosting economic development prospects. Even if African countries have invested in educating their young people, access and quality of provision remain enormous challenges limiting the possibilities of youth to have decent work. The problem is more pronounced among the gender differences, where there are available opportunities for more boys than girls. With the growing population, rapid urbanization, increased trade and technology, entrepreneurial and employment possibilities can be uncovered. For instance, without waiting for wage-employment in the public and private sector, African youth and women show their entrepreneurial skills if they are given the platform to be financial included financial technology (Fintech) such as mobile money platforms (Kedir and Kouame, 2022; Kanga et al 2022). There are emerging suggestions on fronting human capital development to enhance youth skills to nurture employability and entrepreneurship via widespread TVET provision. Aligning the education curriculum to embody science, technology, engineering, and mathematics (STEM) related courses will likely spur innovativeness and ingenuity in young people, thus creating jobs in the digital space, the manufacturing sector and the ever-growing AI-driven future.

There are several questions that we potentially ask and respond to using individual and firm-level evidence by analysing survey, quasi-experimental and experimental data. We have a long way to go in understanding how youth search for jobs, make labour market transition (Kedir and Nuru, 2022), why they are locked in informal employment (Fields et al 2023) etc. Many individuals in Africa are stuck in the lower job ladder and work for informal/unregistered firms (Williams, 2017). There is a need to understand the interaction of simultaneous life processes such as education,

early pregnancy, marriage and labour market participation (Marchetta and Sahn, 2016). Labour markets in urban areas are different from rural areas and their dynamics requires separate treatment (Mueller and Thurlow, 2019). By creating the largest free trade area in the world, AfCFTA is expected to have various impacts, such as on growth, job opportunities, labour mobility, poverty and income distribution (World Bank, 2020; Kedir et al 2023). However, there are several challenges. The poor match between skills and jobs is a core policy challenge not only for labour ministries but those in charge of African education systems (Tekleselassie and Mekonnen, 2018).

We need to assemble policy relevant observations, quasi-experimental and/or experimental evidence based on single or multiple country cases studies (Bandiera et al 2023; . Pertinent questions should be based on

- What employment programmes lead to sustained job creation for African youth?
- What is the role of Technical and Vocational Education and Training (TVET) and on-the-job training?
- How can African governments transform informal jobs and livelihoods?
- How do young African search for jobs and what affects their ability to find good/decent jobs?
- What are the barriers to women ability to make labour transitions? What can be done about them?
- What lessons can we draw from best practices in youth job creation in the continent?

3. Demographic dividend

Looking closely at the current trends and dynamics of population age structures and demographic transition in Africa help us to uncover several interesting insights about the future economic trajectory of countries in the continent (Bloom et al 2017; Bloom et al 2003). Globally, young people between 15-24 constitute about 15.5% of the world population, and United Nations projects a decline of this proportion to 13.8% in 2050 (United Nations, 2020). In Africa, youths aged 15-24 are about 20% of the continent's population. In the scenario that youth are defined as 35 years old and below, they comprise about 75% of the continent's population (African Union, 2019a; 2019b). This youth bulge is a double edge sword. It can be beneficial for inclusive growth and sustainability or a ticking time bomb on a quest for highly productive livelihoods if not appropriately harnessed by African governments. African governments can proactively harness demographic dividend benefits when young people have adequate employable skills and access to decent employment. In 2016, African Union (2019b) suggested the pathways of strategic investments that were critical to maximizing the African continent's demographic dividend. The pathways consist of 4 pillars; employment and entrepreneurship; education and skills development; health and well-being; and rights, governance, and empowerment. However, achieving the pillars is proving challenging. The challenges are exacerbated by shocks such as COVID-19, war in Ukraine, global economic downturn, climate shocks, and the longstanding brain drain from the continent. There is an urgent need for a critical and systematic look into policies and institutions can focus on the development of human capital, economic diversification, governance, labour and capital markets.

Some of the relevant questions to explore include;

- What do we learn from the heterogeneous trends in total fertility rate (TFR) and dependency ratios across African countries?
- What are Africa's prospects for enjoying the demographic dividend? What can be done?
- What are the policies and institutions that should be put in place to materialize the demographic dividend?

4. Migration

Migration is as old as human history. It is a complex process and will always be there. Undoubtedly, there are several realized and perceived returns which justify migration (e.g. remittances) (Baseler, 2019; Akobeng, 2016; Adams & Cuecuecha, 2013; Adams and Page, 2005). However, it becomes a development problem when forced human displacement is normalized and the economic potential embodied in skilled youth is continually eroded robbing the

African continent of its ability of meaningful economic transformation. Despite the longstanding migration phenomenon within and outside Africa due to lack of economic opportunities, conflict and climate change, rigorous research is limited and is not systematically documented. Policy makers both within and outside the continent should pay careful attention to the issue of migration. Understanding migration should not be restricted to exclusively studying the causes and consequences of youth migration because there is also an enormous movement and displacement of children, women and other societal members across the continent mainly due to conflict and climate change. Research on internally displaced persons (IDPs) is often relegated to law, human rights, and refugee studies with limited research by economists (Dare and Abebe, 2018; Kalin, 2014). However, as economists we need a fresh and interdisciplinary outlook to make headway in understanding and tackling the challenges associated with IDPs the size of which dwarfs that of youth emigration. Among all global regions, African countries have the largest number of IDPs. It is also true that Africa is losing its young talent and skilled labour force in droves which necessitates paying particular policy attention to youth migration. The context of migration may take several forms: rural-urban migration, migration to location of relative safety for the displaced, legal as well as dangerous emigration to Europe. Irregular migration to Europe is relatively small compared to the size of the EU population (less than 1%) but the images of young African men on crowded rubber boats in the Mediterranean Sea dominate the airwaves in news channels (Bah et al 2023; Bah et al 2022). In addition to being a topic of key policy interest in Europe and elsewhere in the developed world, skilled and unskilled youth emigration out of Africa has important consequences for economic development in Africa.

- What policy measures are warranted to curb the current alarming trends in rural-urban migration, and emigration of skilled and unskilled youth to Europe and elsewhere?
- What are the key institutional dimensions to which economists can contribute to protect and assist internationally displaced persons (IDPs) in Africa?
- What lessons can be learned from other countries or global regions in relation to migration (e.g. management of IDPs, youth emigration...etc)?

5. Expectations

The panel discussions will set the stage for frontier research by leading academics generating evidence on opportunities, risks, and challenges that affect the youth and how African economics can harness the trade-offs of demographic dividend and migration for sustainable development. The AERC commissions papers that provide a better understanding of the youth, demographic dividend, migration, and economic opportunities in African economies and provide policy recommendations. The commissioned papers will explore areas that previously either have been under investigated or are overlooked for various reasons to enhance adoption of evidence-based recommendations that improve economic opportunities for youth while fostering benefits of demographic dividend and migration in Africa.

The June 2024 Biannual follows the December 2023 where fully developed papers that benefitted from the interactions with policy and decision-makers will be presented to a broader community of researchers, practitioners, and policymakers. The papers will be published as Working Paper Series of AERC as well as a special issue of the Journal of African Economies in the fall of 2024. Through this practice, the AERC hopes to inspire young African researchers by exposing them to emerging topical and policy-relevant issues on themes and learning from senior academics as they exposit challenging and intractable development problems.

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