



POLICY PERSPECTIVES

Louise Fox

No. 03 – April 2021

Address Underlying Economic Problems to Enable Youth, Not Vice Versa

Opportunities for productive employment – or the lack of them – have long been a central interest of African governments, young people, and their families. The “youth employment” crisis now features centrally in most discussions about labor markets and public policy in sub-Saharan Africa, including in Malawi. This often leads to a focus on the perceived deficiencies of youth and how these can be remedied through targeted programs, diverting attention from the real problem, which is the need for more economic opportunity – for everyone, including youth. Better economic opportunities can only come about through transformation of the economy using a balanced growth strategy which raises productivity in both the agriculture and non-agricultural sectors. Although this is a long-term challenge for Malawi, steps can be taken today to help all Malawians, including the youth, earn more money at work – in other words, have a better livelihood. Key focus areas should include increasing regional trade, investing in land reform and developing land markets so that youth can be productive working in agriculture, and expanding educational opportunities so that youth can work productively in nonfarm sectors. Increasing opportunities for young women to go to school, stay in school, and work afterwards should get particular attention.

The employment transformation challenge

Throughout the world, most people in low-income countries such as Malawi work for themselves or with their families in household production, on farms and in nonfarm businesses. In these activities, people tend to face low opportunity, under employment, and high-income risk. Countries get richer through investment in modern firms, where people work as employees of the owners – someone they are unrelated to. This process of economic and employment transformation raises productivity in the economy, the earnings of workers, and allows people to work their way out of poverty. Importantly, the processes are linked – there is no way to provide better economic opportunities for youth (or their parents or children) without economic transformation. This means that countries such as Malawi, who seek to alleviate youth employment challenges, must focus first and foremost on fixing the economy, not on fixing their youth with ineffective youth-targeted programs – for example, training youth for jobs that don’t exist.

Economic transformation is hard in a poor, small, land-locked country such as Malawi. Malawi

is unlikely to become an exporter of light manufacturing, the development path followed by large coastal countries in East Asia. But Malawi is well situated in Southeastern Africa, surrounded by large countries. Malawi could realize needed economies of scale and find larger markets for its products through regional trade. Malawi should focus on attracting investment from regional and international firms who seek to benefit from Malawi's unique position bordering multiple countries using the authorities under the newly created AfCFTA. To date, most of Malawi's exports have been unprocessed agricultural products, and this may continue to be true for some years, but Malawi has good rainfall, lake access for water, good soil, and should be able to export higher value agricultural products in the region with the right investments in trade logistics. Malawi could also develop as a service economy for the region with the right investments in energy and ICT infrastructure. Already this economic pathway is creating new employment opportunities in African countries such as Kenya, Ghana, and Senegal.

Basic cognitive and socioemotional skills are critical for a more productive, higher earning workforce in both the agricultural and non-agricultural sectors. Over the past 50 years, educational access has barely kept up with population growth. The literacy rate in Malawi today is not much better than at independence, with women accounting for most of the gain. Learning outcomes today in primary education are worse than 30 years ago. Malawi's competitors in Africa are educating for the digital economy, while Malawi is still primarily educating for the analog economy. Increased educational attainment, and increased learning, needs to be high on Malawi's agenda to help the next generation of youth find better economic opportunities than their parents.

Malawi faces difficult choices in expanding access to education. Secondary access is especially low, and this level has a high pay-off in an economy at Malawi's level of transformation. At the same time, over the next 2 decades, the economy will increasingly need workers with the skills developed in post-secondary education, including technical and digital skills. These skills are the most expensive to develop, although graduates do realize high private rates of return. Malawi should help the best and brightest access this level of education without spending high levels of public resources, as public resources are desperately needed to expand secondary education and improve the quality of primary education. This means looking at alternative financing models, including private sector financing and seeking support for scholarships to universities and technical training colleges in neighbouring countries.

What can be done for Malawian youth today?

Improving educational opportunities and transforming the economy by increasing regional trade in higher value products and services are medium to long term goals. While undertaking these

investments with longer term payoffs, Malawi's policy makers can still enact measures to increase economic opportunities for today's youth. The starting point, however, is recognizing that for the foreseeable future, informal will be normal. Although Malawi's youth may work in the same sectors and types of employment as their parents, they could earn more if properly supported and enabled.

Rural areas and small towns, and the agriculture sector in particular, will continue to be where most youth will be able to find economic opportunity. Key issues which could be addressed to help youth earn a living in this sector include:

- Improving access to land. Land holdings are concentrated in Malawi, and most people under the age of 40 do not have access to their own land. Land reform is not a new issue for Malawi but reducing land concentration and developing land markets is critical to using the productive energies of youth to support agricultural and rural transformation and diversification.
- Reducing under-employment among youth. Underemployment is one of the main reasons for low earnings – and is a waste of human resources. While partly related to land access, youth could work more days of the year on farms if they had access to irrigation, allowing multiple crops, or if they raised livestock – a year-around activity. Rural nonfarm activities also reduce underemployment. Continued development of microfinance through fintech, combined with improved rural-urban transportation networks and market infrastructure in towns could make starting a rural nonfarm business easier and more profitable, supplementing agricultural earnings.
- Youth-targeted branches of successful rural programs can be an effective intervention. Examples include youth-targeted extension and farmer field schools, youth-organized producer cooperatives and associations, and youth savings groups.
- Expansion of broadband access benefits youth. Malawi is behind neighbouring countries such as Tanzania and Zimbabwe in this area.

Building schools and training teachers takes time and money. However, community-based interventions designed to developing socio-emotional skills and build basic (e.g., household and farm) financial planning skills can be put in place now and have proven effective in raising earnings and increasing life satisfaction as well. Targeting young women is especially important as they might not have other opportunities to develop these skills.

Please do not forget the ladies

Malawi should devote more resources to increasing opportunities for women. Malawian women need to marry later and conceive later, so that they can stay in school and develop the skills they need to be productive workers and good parents. 47 percent of Malawian women age 25-49 report in DHS surveys that they got married before age 19. Even more – 67 percent – reported sexual encounters before age 19. For at least 1/3 of these women, their first sexual encounter was not by choice, it was forced upon them. Early marriage leads to higher fertility; early first pregnancy to higher birth complications. Malawi's high fertility has challenged the educational system and created a high labor force growth rate, complicating efforts to raise earnings. High fertility does not seem to be a positive choice of Malawian families, as four in ten Malawian women of child-bearing age report unmet need for contraception. Family planning needs to be available and affordable.

Experiment, monitor, evaluate

Malawi's youth employment issues are challenging. However, a new Africa in a post-COVID world will offer new opportunities. Malawi needs to seize these. There is an old saying – “if you do what you have always done, you will get what you have always gotten”. Malawi can seek help from donors and external stakeholders to try new initiatives and move in new directions. Donors have always been willing to fund pilots, but often these pilots do not have local ownership, are not sustainable, and do not scale up. Malawi's researchers and technical leaders in the public sector should engage with donors on what current research suggest are effective policies and programs for countries such as Malawi, and how these can be effectively adapted to Malawi's setting. Instead of asking for more donor projects for youth or other targeted groups, Malawi could ask for help with developing a learning and knowledge culture within the public sector so that Malawi could develop and implement programs effectively. Rwanda has been effective at shifting donor support in this direction, and it has paid off in a surprising number of different areas. Malawi may lack resources today, but it does not have to be a poor country forever.

Dr. Louise Fox has held full-time positions at USAID (as Chief Economist) and the World Bank. She is currently affiliated with the African Growth Initiative at the Brookings Institution and the Blum Center for Developing Economies, University of California, Berkeley. Dr. Fox's research covers inclusive growth, structural transformation, youth employment, the political economy of poverty reduction, gender and women's economic empowerment, labor economics, child welfare systems reform, social protection, public expenditures in the social sectors, and much more. Her most recent book is *Youth Employment in Sub-Saharan Africa*, published by the World Bank in 2014.

This research is made possible by the generous support of the Agricultural Transformation Initiative (ATI) through the Michigan State University (MSU) Food Security Group. The contents are the responsibility of study authors and do not necessarily reflect the views of ATI and/or MSU.

Copyright © 2021, MwAPATA Institute. All rights reserved. This material may be reproduced for personal and not-for-profit use without permission from but with acknowledgement to MwAPATA Institute and MSU.