



# Boosting youth employment prospects

## TANZANIA

***As Tanzania makes progress in diversifying its economy, how can it ensure its growing youth population will benefit?*** A scoping paper commissioned by Canada's International Development Research Centre and the MasterCard Foundation assesses the opportunities and challenges facing youth in Tanzania, and points to research needed to ensure that measures to help them secure good livelihoods are based on solid evidence.

Despite economic growth, and modest progress in tackling poverty, some 43 percent of Tanzania's people still survive on less than US \$1.25/day. Half of Tanzanians today are under the age of 15, and with the population increasing by 2.7 percent each year, the country faces a youth bulge, and must find ways to ease this new generation into a labour market that currently offers too few prospects.

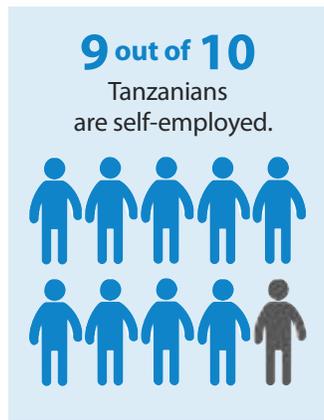
While heavily dependent on agriculture like many of its African neighbours, Tanzania has seen recent growth fueled by emerging sectors such as telecommunications and financial services. However, growth is not keeping pace with the number and quality of jobs needed for the country's large and growing youth population. As well, due to gaps in education, skills, and experience, Tanzanian youth are failing to find a foothold in this new economy. They remain trapped largely in informal work and low-skilled jobs in agriculture.

Government and other agencies have designed interventions to better equip Tanzanian youth for meaningful livelihoods. Drawing on research commissioned by IDRC and the MasterCard Foundation, this brief highlights the issues, current measures to address the problem, and research pathways that could help decision-makers ground their interventions in evidence.

### Youth employment trends and challenges

Tanzania today has high rates of employment, which mask a problem of chronic underemployment. Official unemployment is in the 3 to 4 percent range, but about 90 percent of workers are self-employed — most in the informal sector — with less than a tenth of the population in wage work.

Similarly, youth unemployment stands at 6.5 percent among those aged 15 to 24 and 9.9 percent among those aged 15 to 35. However, the majority of youth employment is in agriculture, and much of it is informal, highlighting youths' vulnerability within the Tanzanian labour market.





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Average wages in Tanzania are also among the lowest in the world. Traditional sectors such as agriculture, mining and retail trade still account for about 85 percent of the employed population, but in the last few years, growth has been driven by emerging sectors such as professional services, ICT, construction, transport and storage, hotels and restaurants, and other services. Earnings per worker in these emerging sectors are about six times higher than in traditional sectors, where the average is just US \$700 per year.

With a domestic labour force that is projected to reach 45 million by 2030, Tanzania must address the challenges faced by its young and growing population. Rapid urbanization driven by structural transformation in the economy has only added to this pressure. Generating new and more productive jobs will be critical to driving growth and absorbing an expanded labour force. At the same time, giving youth the tools needed to access these jobs will be key to securing their livelihoods while enhancing Tanzania’s economic development.

### Access to education and training

Education and skills training will be essential for Tanzanian youth to benefit from transitions underway in the economy. Many of the fastest growing sectors — telecommunications, mining, and non-farm businesses, for example — depend on skilled labour. Yet the labour force is dominated by unskilled or low skilled workers. Currently, less than 4 percent of youth work in roles that require higher skill sets.



**7 out of 10 children** entering the 3<sup>rd</sup> year of primary school cannot read basic Swahili, the national language. Only 1 in 5 can do basic math.

The quality of formal education in Tanzania is also poor. Despite the near-universal enrolment in primary schools, the proportion of the labour force with middle and high-level skills remains very low, with less than 12 percent of the total population having completed lower secondary education. National assessments conducted since 2010 show that enrolment is no guarantee that children are actually learning. About 70 percent entering the third year of primary school cannot read basic Swahili, the national language, and only one in five can do basic mathematics.

The low quality of education matters for the returns to education. For example, a worker with post-secondary or university education earns approximately 40 times more than a worker without education, while a worker who has completed primary education earns only about four times more. The surprisingly high returns to higher education are also driven by excess demand on this portion of the labour market, as post-secondary graduates comprise less than 3 percent of the total population.

### Transitions into working years

The point of entry into the labour market is a critical moment for young Tanzanians, as it determines how well they are likely to fare in the longer term. Most youth enter self-employment due to lack of wage employment and because of the low barriers to entering informal business activity. Research suggests that this route offers very little scope for transition to other forms of employment, such as wage work.

There are significant gender gaps in self-employment. Women carry a heavier burden of household responsibilities, they prefer working flexible hours, and have less access to networks or social capital. Female-owned businesses also tend to be smaller and less productive than those owned by males. This is borne out by differences in earnings, with young self-employed women earning only 60 percent of their male counterparts’ income.



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The job search process is difficult for youth, in part because of the lack of an organized system of employment services in Tanzania. As a result, most Tanzanian youth rely on informal networks — most often family and friends — to search for jobs. Only one in ten registers at an employment center, suggesting a lack of confidence in these services. The better-educated minority and those from wealthier families can afford to wait for more secure waged employment. On average, these youth enter the market as unemployed and take about 5.5 years to secure a wage job.

While further investments in education and training can increase the productivity and employability of young people, not all learning takes place in schools. Employers typically look for a combination of job-specific technical skills and “soft” skills such as communicating effectively and getting along with others in the workplace. Behavioral skills rank almost as high as numeracy among the most highly sought skills.

Workplace training and apprenticeships present an important channel for skills development. About 44 percent of employers report offering some kind of training to employees. With incentives, workplace training could be an even more effective way of addressing skills shortages. Training is more common in sectors such as construction, manufacturing, and real estate than in the traditional sectors that most people work in.

Overall, youth entry into labour markets is hindered by a dearth of effective vocational and technical training programs; the high costs of providing on-the-job training (compounded by high taxation on labour); and a lack of information channels to connect employers and job-seekers.



## Policy and program environment for youth employment

Youth employment is a national priority in Tanzania. Given weak labour market institutions and the low quality of the formal education system, policy solutions must go beyond efforts to keep youth in school. Current interventions involve not just government agencies, but other stakeholders such as the private sector, civil society, and international donors. Efforts range from small pilots to large-scale programs, and include the creation of an enabling policy environment, mainstreaming youth employment into national development frameworks, the creation of institutions to address youth employment, and the implementation of various youth employment schemes.



Among the most prominent of recent government programs is Big Results Now, a multi-sectoral initiative supported by the World Bank and other international donors which targets short-term results in key sectors. In education, it aims to boost primary and secondary school pass rates. Other government efforts relevant to youth focus on improving technical and vocational education, and supporting small businesses, including through training in entrepreneurship skills, business management, and technology upgrading.

NGOs offer a broad range of services and training for youth, including fostering leadership skills, supporting youth enterprise, empowering single mothers in the workplace, fostering peer education in life skills, and providing civic education and empowerment. Private sector efforts include better job-matching through technology platforms and databases that aid recruitment. Companies in the energy sector have also partnered with the government and NGOs to promote youth entrepreneurship through a local program delivered in two regions in the country's southeast.

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### *Interventions to address youth employment need to be better coordinated.*

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While a diverse range of national programs and donor interventions is responding to Tanzania's youth employment challenge, these efforts are undermined by poor coordination, information gaps, and weak evaluation. There is little evidence or measurement of program and policy effectiveness; efforts suffer from overlap and duplication; and there is still little understanding of the labour market in Tanzania and the prospects of employment growth.



The country's latest national strategy for growth and poverty reduction, which calls for productive and decent employment for vulnerable groups such as women and youth, goes part way to meeting some of these challenges. Along with championing skills development and promoting employment and enterprise development, it identifies strategies for better coordination of job creation, and for streamlining the institutions that deal with employment issues.

## Building an evidence base for effective interventions

To reap the benefits of its demographic dividend, Tanzania will need a clear strategy to improve its dismal labour market outcomes. Given the complexity of this challenge, any strategy must be designed on a firm foundation of research and evidence.

The current knowledge base sheds light on the scale of the problem, the level and types of skills mismatch in labour markets, the widespread extent of informality, gender differentials in youth employment, and the limitations of current education and vocational training systems. New evidence is needed to better understand what kinds of policies and interventions best respond to these challenges and which ones are scalable.

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In addition to strengthening the evaluation of programs and policies designed to support youth integration into the labour force, other areas ripe for research include the potential impact of new technologies, and the effects of structural shifts underway, including migration. Given the widespread use of cellphone technology in Tanzania, for example, there may be ways to enhance the use of virtual networks for distance and technical training, or to address information gaps in the labour market. As well, the large-scale movement of youth from rural to urban areas to seek productive employment opportunities merits further research.

Lastly, understanding the factors underlying the pronounced gender gaps in youth job markets is crucial. Identifying incentives that can keep girls in school longer, or measures to increase workplace flexibility for better work-life balance could not only help women find more secure employment, but also improve overall productivity and growth. It will be important to ensure the next generation of Tanzanian workers more fully represents the strengths of its young population.



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This brief is one of a series jointly commissioned by Canada's International Development Research Centre (IDRC) and the MasterCard Foundation to shed light on the critical challenge of youth employment in sub-Saharan Africa. It highlights key findings from the 2015 paper, "Tanzania: Skills and youth employment" by Mahjabeen Haji. Full citations for the statistics highlighted here can be found in the source paper.

Opinions stated in this brief, and the paper it draws from, are those of the author, and do not necessarily reflect the views of IDRC and the MasterCard Foundation.

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