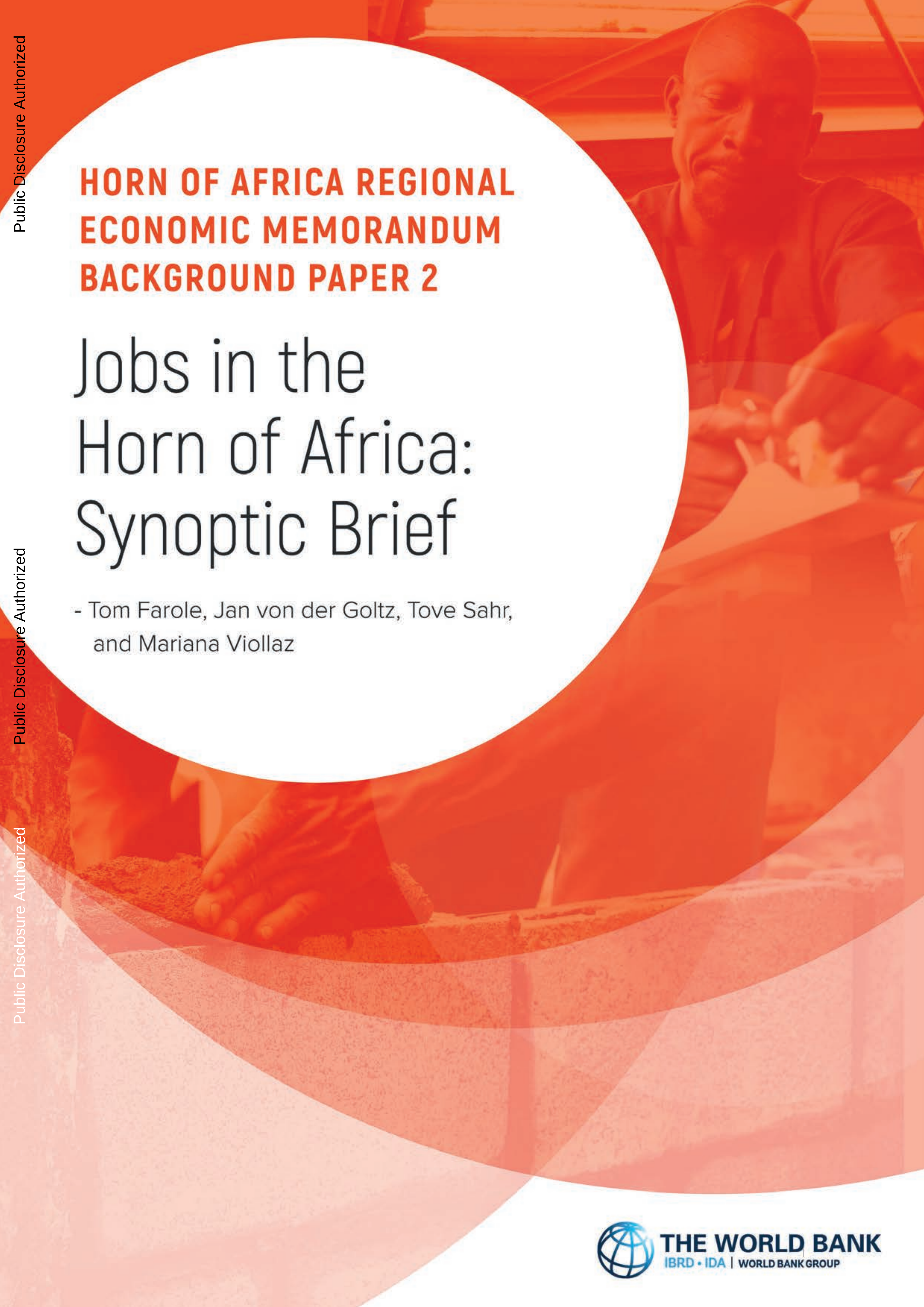

HORN OF AFRICA REGIONAL ECONOMIC MEMORANDUM BACKGROUND PAPER 2

Jobs in the Horn of Africa: Synoptic Brief

- Tom Farole, Jan von der Goltz, Tove Sahr, and Mariana Viollaz

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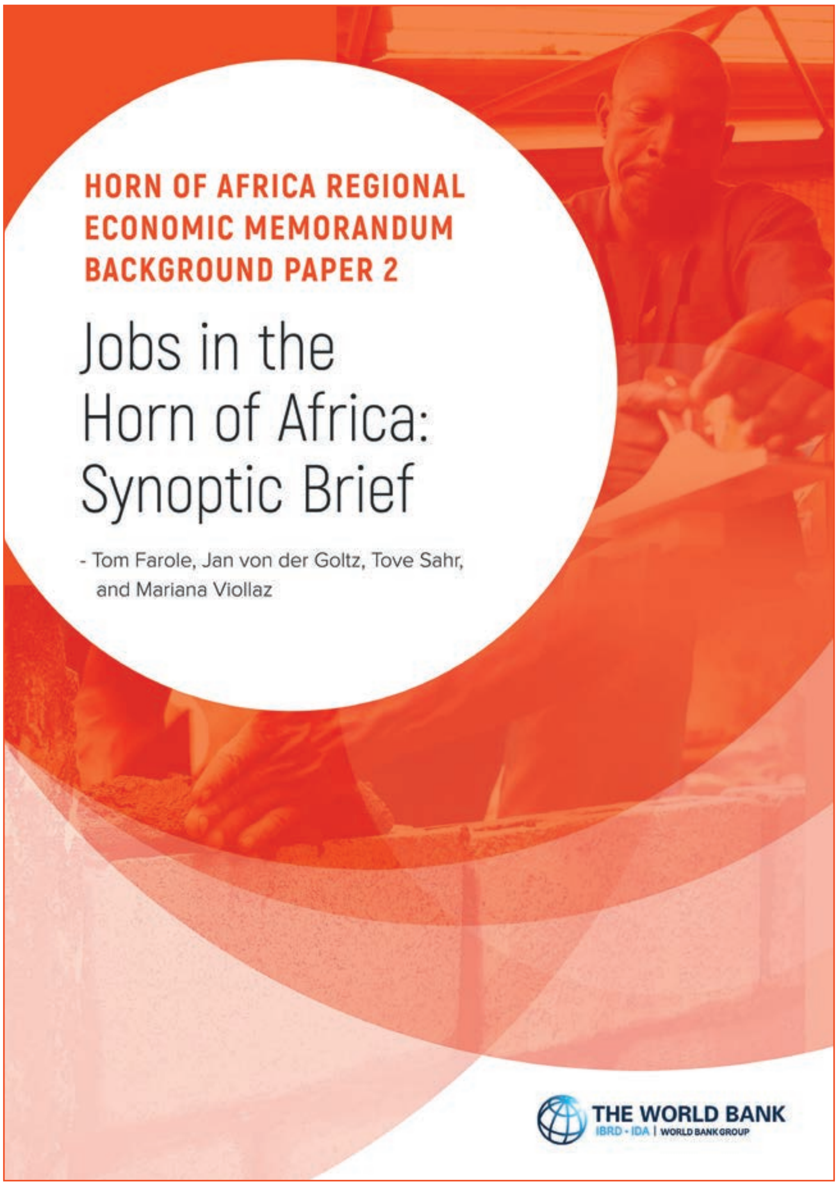

CONTENTS

SECTION 1
Introduction

This note provides an overview of labor markets and job outcomes in the Horn of Africa. This background note was prepared for the Horn of Africa Regional Economic Memorandum.[1] It provides an overview of issues related to jobs in the five countries of the region, Djibouti, Eritrea, Ethiopia, Kenya, and Somalia. It first discusses labor market characteristics, notably labor force participation, unemployment and under-employment, as well as demographics of the labor force. Secondly, it compares employment patterns, focusing on the type and sector of employment. Finally, it looks at the limited information available on jobs outcomes – notably, wage levels. It seeks to provides a relatively succinct synoptic summary of the common trends among the five countries as well as some distinct features. With the exception of Eritrea, the World Bank has recently analyzed jobs outcomes in all countries of the region (World Bank 2018b, 2019a, 2020a, *forthcoming*). This note references these analyses, and the reader can consult them for additional detail.

The analysis draws upon the most recent representative employment data available for each country, but data are dated in some cases. Apart from Eritrea, the analysis presented in this note is based upon the most recent primary data on employment available at time of writing. In the case of Ethiopia, this is a 2013 Labor Force Survey; in Djibouti, Kenya, and Somalia, data comes from household surveys (2017, 2015, 2017). For Eritrea, no suitable primary data were accessible. The report therefore presents statistics published in the summary report on the most recent (2015/16) Labor Force Survey (Government of the State of Eritrea, 2018). Throughout this note, where no separate source is indicated, statistics shown in Figures and Tables or cited in the text are based on the authors' calculations from the databases shown in Table 1. It is worth noting that data for Ethiopia as well as Eritrea and Kenya were already quite dated at time of writing, and can neither account, for instance, for continued manufacturing growth in Ethiopia and Kenya, nor for Ethiopia's recent macroeconomic challenges.

Statistics shown in this note are largely consistent with prior analyses of the underlying data, but sometimes diverge due to the need to apply consistent methods to all surveys. There are well-defined standard indicators to describe labor markets and job outcomes. However, the ways indicators are computed in an individual report depends on the idiosyncrasies of available labor market data (for instance, categories used to record educational attainment or describe levels of formality), and sometimes, also on adjustments countries make to indicator definitions (for instance, in the way unpaid work in household activities is treated, or in cutoff ages for respondents considered 'youth'). To facilitate comparisons, this report applies consistent definitions across the surveys analyzed. Because of this approach, statistics shown here sometimes diverge from results published in assessments of a single labor market in the region, though they are always consistent in approximate magnitude.

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[1] The note was prepared by Tom Farole, Jan von der Goltz, Tove Sahl, and Mariana Viollaz (Jobs Group). Ian Walker (Manager, Jobs Group) supervised the team.

Table 1: Data sources used

Country	Data source
Ethiopia	2013 Labor Force Survey
Djibouti	2017 household data (GMD)
Kenya	2015 KIHBS
Somalia	2017 High Frequency Survey – Wave 2
Eritrea	Reported results from 2015/16 Labor Force Survey (ELFS) – no access to raw data

Source: World Bank.

The economies of the region are diverse, and labor markets reflect their structure. The economies of the region have been characterized elsewhere in the REM (see especially HoA REM Background Paper 1 on the Economic Geography of the Horn). As background for the discussion of jobs outcomes, it is worth recalling some of the basic features of the five countries. Of the five economies studied here, three are low-income countries: Eritrea, Ethiopia, and Somalia.[2] Both Eritrea and Ethiopia remain quite heavily reliant on agriculture. Starting from a very low base, Ethiopia has in recent years had significant success in raising productivity in the agriculture sector, and in fostering some industrial development. Eritrea remains characterized by a highly regulated economy and large state presence in production. Decades of conflict have given Somalia's economy some features that are unusual for an economy with a very low income level, including relatively high urbanization and reliance on the services sector. Djibouti and Kenya are both lower middle-income countries; Kenya has over the past 15 years seen robust growth across sectors, including in manufacturing. Djibouti also has seen a remarkable growth episode, and its income level is approaching the upper middle-income threshold. However, growth has been far less balanced, driven strongly by investments in the port and transport infrastructure, with few other strong developments.

[2] This report occasionally makes statements as to whether jobs patters observed in the data are commonly observed in other countries of similar income levels; in these instances, it refers to the five countries together as "lower-income countries".

SECTION 2

An overview of the labor markets in the Horn of Africa

Population dynamics

With high population growth, about half of the population is of working age, and age dependency ratios remain high despite recent declines. In all five countries, a little more than half of all residents are of working age, as is typical of societies with high population growth (Figure 1). Among the five countries, Djibouti and Somalia stand somewhat apart in that they have, respectively, by far the largest and smallest share of working age population. This results from fertility rates of six births per woman on average in Somalia compared to just under three in Djibouti (WDI). With the exception of Somalia, dependency ratios have fallen over the past 20 years. Yet, age dependency ratios remain elevated, with about 80 persons who are not of working age for every 100 working-age residents (Figure 2). High age dependency ratios imply that welfare levels will be lower for an equal number and quality of jobs.

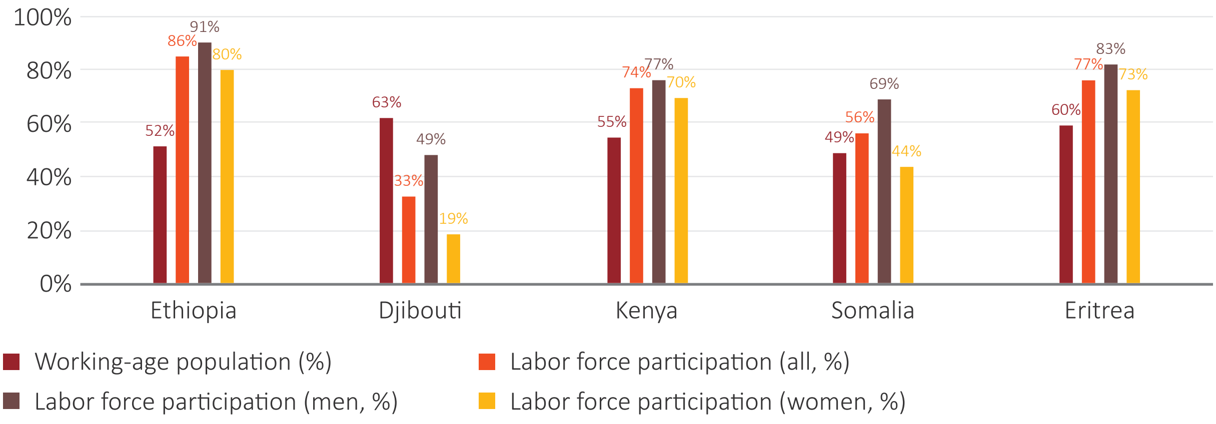
Very large cohorts of young workers are entering the labor market each year. With overall high population growth, the labor force in the countries of the region is also experiencing a period of rapid growth. Projected annual rates of increase over the coming five years are at three percent or higher in all countries except Djibouti (Table 2). As many young workers join the labor force, there are important opportunities for development and poverty reduction. However, economies also face the challenge of creating sufficient and good-enough jobs for a large number of young workers who are eager to contribute and hungry for a better life. We illustrate the scope of the challenge further below.

Table 2: Expected labor force growth

	Annual growth rate 2020-2025	Absolute annual increase 2020-2025
Djibouti	1.9%	5,000
Ethiopia	3.1%	1,832,000
Kenya	3.2%	793,000
Somalia	3.4%	161,000
Eritrea	3.0%	49,000

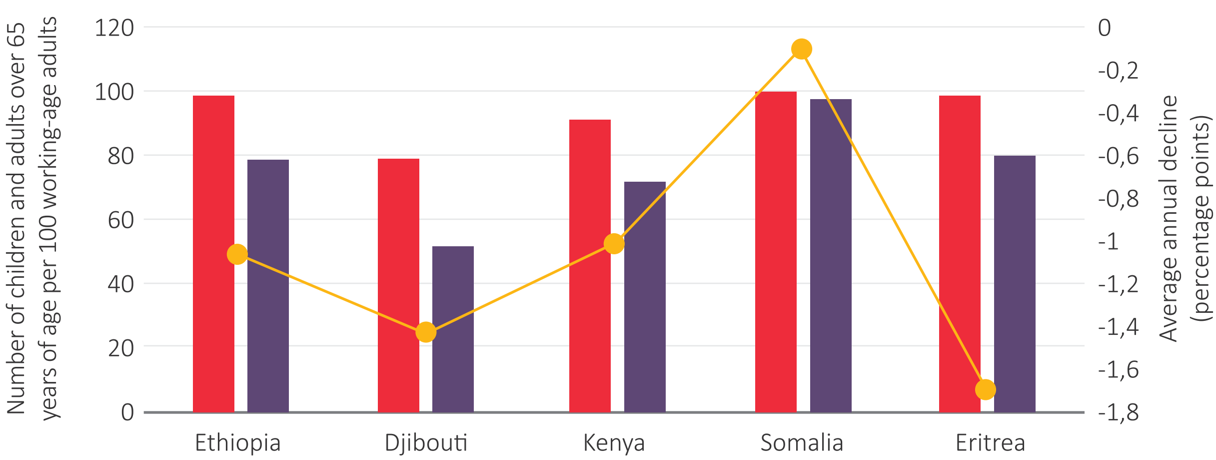
Source: World Bank staff calculations.

Figure 1: Share of working-age population and labor force participation rate



Source: World Bank staff calculations.

Figure 2: Change in age dependency ratio since 2000



Source: World Development Indicators. Note: reference years for Eritrea are 2000 and 2011.

Labor force participation

Labor force participation is high, with the exception of Djibouti and Somalia. Labor force participation in Eritrea, Ethiopia, and Kenya is quite high (67-86%; Figure 1), in line with what is common in economies at a similar income level. A far lower share of youth and adults are active in Somalia (56%), and remarkably few in Djibouti (33%). (This report defines 'youth' as the age group between 15 and 24 years, compared to older adult workers of 25 to 65 years.) In both countries, there is also a striking gap in the rate at which men and women participate in the labor market.

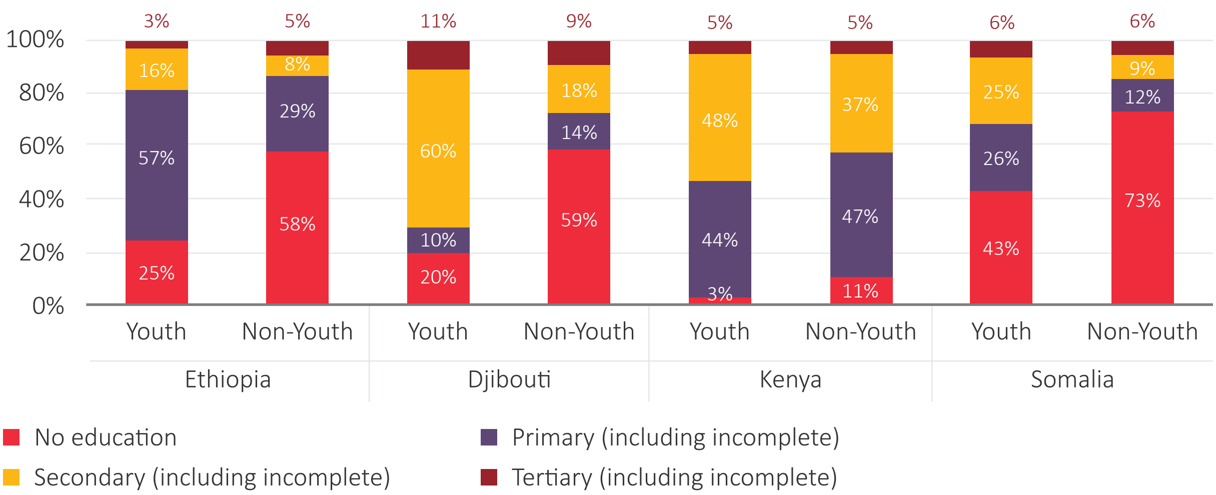
Barriers to women working account for low participation rates in Somalia. Lower labor force participation in Somalia is largely due to the barriers women face in working. In Eritrea, Ethiopia, and Kenya, the gap between men and women in labor market participation varies from seven to ten percentage points. This is a meaningful difference, but still implies that about three in four women of working age are active. By way of contrast, in Somalia the gap is 25 percentage points. Conversely, participation among men in Somalia is reasonably similar to other countries – eight percentage points below the level in Kenya. Yet, participation among women is far less aligned, at 26 percentage points below the level in Kenya. Cultural barriers to women being active are the most compelling explanation for this gap. Thus, "entrenched social norms often prescribe heavier domestic responsibilities to women and largely relegate their roles to the private sphere [...] Women's economic opportunities are also inhibited more directly by social norms, such as needing to have their husband's signature to do business, though this is slowly changing with men's absences from home..." (WB 2020a, p.10).

In Djibouti, cultural barriers to women combine with a job-poor growth pattern to account for exceptionally low participation rates. In Djibouti, the gap between women and men is larger still than in Somalia, at 30 percentage points. Women are less than half as likely to be active than men. At the same time, however, participation among men is also remarkably low (49%). In addition to cultural norms that make it difficult for women to participate, low activity rates have been ascribed to a capital-intensive development pattern that has yielded high growth, but without creating many jobs. Thus, "the job creation potential of ports, transport and logistics sectors is becoming more limited as port services are increasingly automated and rely less on unskilled labor. Outside of ports and logistics, the private sector is a small employer and dominated by services." In addition to a limited number of good private sector jobs, public jobs provided incomes that large households with inactive workers depend upon. (World Bank, 2018b).

Education levels among the workforce

Educational achievement of the workforce remains limited, but young workers have much better access to education than older cohorts. In all countries of the region, education levels remain low: the median worker has no more than primary education. However, two distinctions must be made. Firstly, education levels vary significantly among the five countries. A far higher share of workers has more than primary education in Djibouti (41%) and Kenya (46%) than among workers in Eritrea[3] (31%), Ethiopia (15%), and Somali (20%). Secondly, there has been very important progress in raising education levels. Thus, with the exception of Somalia (where gains are sizeable but lower), young workers in each country are less than half as likely as their elders to have no education (Figure 3). In all five countries, more than two in five young workers have at least completed primary school.

Figure 3: Educational attainment among the working age population by age group



Source: World Bank staff calculations.

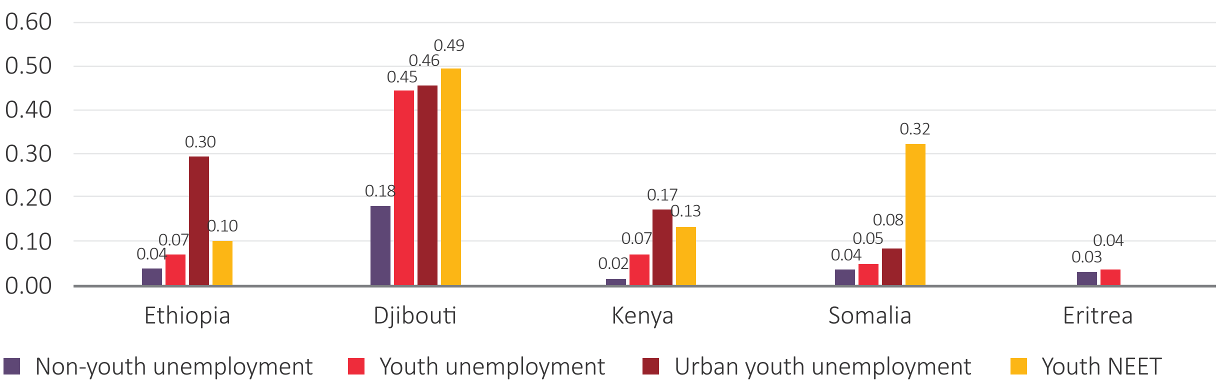
3 A breakdown of educational achievement in Eritrea is not available using the same categories shown in Figure 3.

Gains in education represent an opportunity for development, but limited access to good jobs and skills mismatches may frustrate well-trained young workers. At a time of rapid labor force growth, it is good news that workers entering the job market bring with them greater skill levels than is common among older workers. However, a challenge lies in satisfying the aspirations young workers rightly have for a job that makes use of their skills. Currently, mismatches between workers' skills and what is required for their jobs arise by no means only due to a lack of training. Thus, while in Kenya, 40% of workers reported that they felt underqualified for their job, 30% believed they were overqualified (World Bank 2019b). Similarly, in Somalia, "over 50 percent of firms in Mogadishu indicate their employees have [various] skills ... that are above what is required for their business needs" (World Bank 2020a, p.15).

Unemployment

With the exception of Djibouti and urban Ethiopia, unemployment is low, as is typical of lower-income economies. Except for Djibouti, unemployment narrowly defined is low in the region. Among older workers, between two and four percent are unemployed, as is typical of lower-income economies in which work is quite immediately tied to household survival. Unemployment is slightly higher among young workers, at between four and seven percent in the four countries excluding Djibouti (Figure 4). Unemployment tends to be concentrated among urban, young, and better-trained workers – groups that are more likely to be able to afford a period of idleness while queueing for jobs. This pattern is particularly pronounced in Ethiopia, where more than one in five urban workers are unemployed (22%), compared to five to six percent in Eritrea, Kenya, and Somalia. Youth unemployment in urban Ethiopia is very significant, at 30%, and it is also elevated in urban Kenya, at 17%. Speeding the school to work transition is thus a legitimate policy concern in the two countries. However, it is also worth recalling that young urban workers account for only two percent and seven percent of the labor force in Ethiopia and Kenya, respectively.

Figure 4: Unemployment and share of youth not in employment, education, or training (NEET)



Source: World Bank staff calculations.

Discouragement from participation mostly affects better-off groups, while underemployment is a widespread concern. Alternative measures of labor force use provide a somewhat more nuanced picture of the degree to which workers are able to be as active as they would prefer. Unemployment combined with discouragement (LU3) affects somewhat more workers than outright unemployment; yet, it is also concentrated among better-off groups that are in principle able to compete for good jobs and afford periods of idleness. Unemployment combined with underemployment (LU2) – a measure of job quality rather than solely of access to jobs – is of concern for significantly more workers, including many in agriculture and other self-employed activities. For instance, in Ethiopia and Somalia more than one in five workers of all ages report being underemployed (22 and 23 percent, respectively), compared to one in twenty-five who are outright unemployed (four percent).

The chief jobs policy challenge is to make job activities more productive. As is common in lower-income countries, it is more helpful to frame the jobs policy challenge as one of finding better, more productive work for the many workers whose activities do not provide a very good living, rather than one of finding jobs for workers who are truly idle. For instance, it has been observed that, in Ethiopia, "despite the lower incidence of open unemployment in rural areas, employment is clearly more precarious there, characterized by risky own-account agriculture and unpaid work (mainly for women and youth) … poverty rates are far higher, and consumption levels far lower…" (World Bank, *forthcoming*).

In Djibouti, high rates of outright unemployment are an immediate concern and require policy action. Djibouti stands apart from the other countries in the region in that it does registers significant unemployment. Nearly one in five adult workers are unemployed (18%). Youth unemployment is very high, with nearly every other young worker reporting that they are unable to find a job (46s%). These are numbers that call for a direct policy focus. Prior analyses have argued that high wages in Djibouti's large public sector combined with low skill levels among workers lead to a labor market that clears at high wages but low employment rates (World Bank, 2018b).

In Ethiopia and Kenya, few youths are neither employed nor in education or training, but in Somalia and Djibouti, many fall in this category, in particular among young women. In Ethiopia and Kenya, the region's two largest labor markets, between one in eight and one in ten youth are idle – neither employed nor advancing their education ('NEET' – Figure 4). This is a moderate level of NEET youth. By stark contrast, in Somalia, one in three youth neither work nor study, and in Djibouti, every other young person shares the same fate. In Somalia, the very high share of NEET workers is in significant part due to the very low employment rate among young women (40% of young women are NEET, compared to 24% of young men), mirroring the patterns in labor force participation described above. In Djibouti, the NEET rate is similarly high among young men (46%) as among young women (52%), again pointing to problems in encouraging activity that go beyond barriers specific to women.

Labor market characteristics and challenges mirror the features of the different economies in the region. Viewed together, the features of the labor market reflect the larger development challenges of each of the countries in the region. Among the five countries, labor markets in Eritrea and Ethiopia look most like what is typical in low-income countries, with broad participation, low education levels, and modest gender gaps. For broad-based improvement in jobs outcomes, support to higher productivity in agriculture and other self-employed activities remains a priority. Kenya has achieved higher education levels and significant manufacturing growth and is at a point where productivity investments balanced with actions to improve access to wage employment can benefit significant numbers of workers. Djibouti's labor market is shaped by the successful but unbalanced growth strategy of the past decades, with policy priorities on broadening job opportunities beyond the public sector and activities linked to the port and improving access for women. Somalia faces very low income levels alongside low participation and extreme gender gaps and will need to focus on promoting entry into self-employed activities and gradual progress on access for women, in addition to productivity.

Table 3: Overview of labor market characteristics

	Labor Force Participation	Unemployment	NEET	Education	Gender gaps
Djibouti	Low	High	Very high	Moderate	Very high
Eritrea	High	Low	Low	Low	Moderate
Ethiopia	High	Low	Low	Low	Moderate
Kenya	High	Low	Low	Moderate	Moderate
Somalia	Low	Low	High	Moderate	Very high

Source: World Bank staff calculations.

SECTION 3

Employment Patterns

Type of employment

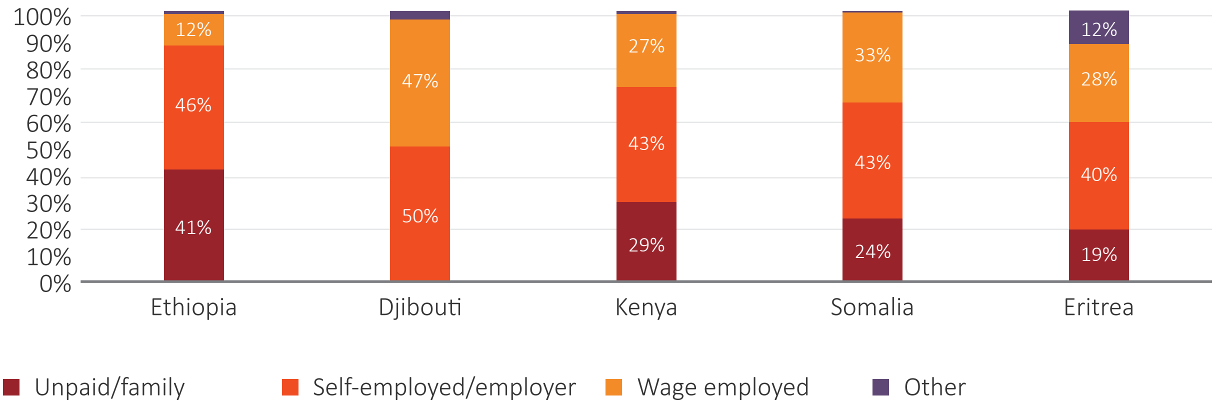
For most workers in each of the countries of the region, a job still is self-employment or work in household activities. Self-employment contributes between two in five and one half of all jobs in each of the countries of the region (Figure 5). An additional 19-41% of jobs are in family activities, and are often unpaid. It is a well-known weakness of employment data in low-income countries that they do not always distinguish reliably between self-employment, household work, and waged work. Misunderstandings arise easily in survey enumeration in economies where much economic activity consists of household members jointly carrying out a basket of income generating activities for the household's gain. In the data used for this report, such concerns arise for Djibouti, where the survey records no unpaid work at all. It is likely that such employment is instead mistakenly coded as self-employment, wage employment, or perhaps, as inactivity. A similar, if lesser, concern arises in Kenya, where the share of wage work may be somewhat underestimated in our indicator definition.[4]

Outside of Ethiopia, wage employment is attainable for a meaningful share of the work force, and accounts for about one quarter to one third of all jobs. Wage employment remains the exception rather than the rule in the region. As is expected, it is heavily concentrated in urban areas: nearly half of all urban workers are wage-employed (47% in the weighted average of the five countries), compared to fewer than one in ten in rural areas (9%). Wage jobs are available to an estimated one in three workers in Somalia (33%), and about one in four workers in Kenya (27%) and Eritrea (28%; Figure 5).[5] The share of wage employment in Somalia in strikingly high for a very low-income economy. It is best seen in the context of strong urbanization secondary to displacement, and of low reported participation rates. As noted, the 47% wage employment in share in Djibouti may be over-reported. Yet, a relatively high share of wage work – and queueing for such jobs – is a consistent mirror image of an urban economy in which there is high public employment, very low participation and significant youth unemployment. In Ethiopia, about one in eight workers hold waged jobs (12%), as is consistent with low incomes and a continued reliance on agriculture.

4 The KIHBS 2015/16 survey distinguishes between paid employment outside of the household and paid employment within the household. We report only the former as wage employment. If paid employment within the household is included, the share of wage employment is 46%. However, most of those workers are related to the household head, and are active in agriculture or housekeeping, suggesting jobs that are more commonly thought of as household work.

5 The Government of Eritrea's report on the 2015/16 labor market survey shows conflicting statistics on the prevalence of wage work. The share shown in Figure 5 is the lower estimate, given in the report's Table 4.12, which is more in line with what is typical of countries with similar incomes as Eritrea. Elsewhere, the report provides a higher estimate of a 42% share of wage employment.

Figure 5: Jobs by employment type



Source: World Bank staff calculations.

Young workers are most likely to start out helping in household activities; while most older men transition to paid work, about three in ten employed women do not take up an independent activity. Lifecycle transitions matter for the kind of jobs workers hold. As a stylized fact, most workers in the Horn of Africa begin their working lives helping in household activities. This is true for between one third and one half of young men, and about one half of young women in Ethiopia, Kenya, and Somalia (Figure 6).[6] As workers get older, most men transition into independent activities, and few men over 25 years of age remain in household activities. Older women who remain in the labor market are also more likely to have job activities independent of their households than younger women. Yet, the share who remain in unpaid work is much higher than among men, and between one in four and one in three do not work independently. This further compounds lower labor force participation among women, an implies that a far lower share of women than men ever undertake their own independent activities.

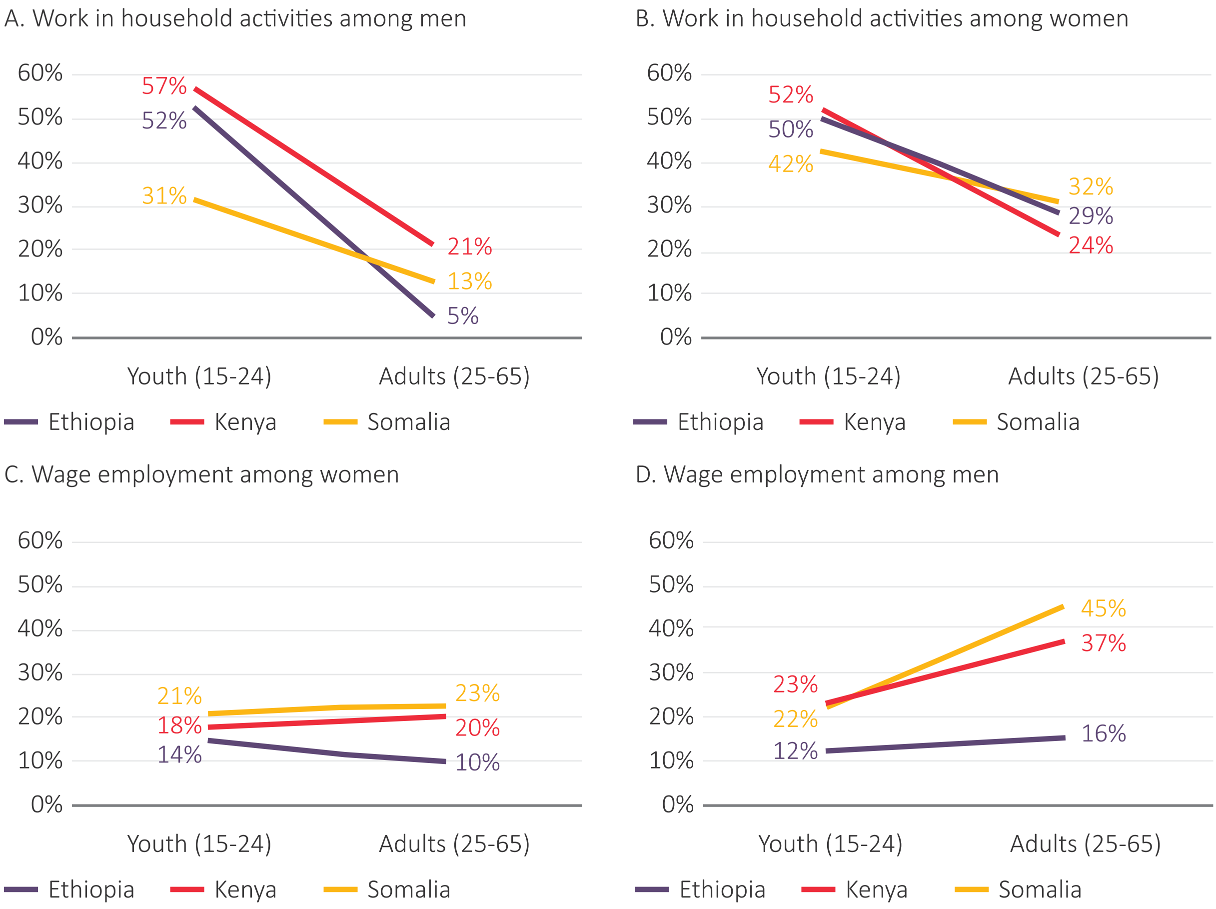
Women are much less likely than men to have wage jobs, but young women fare far better in accessing wage employment than older women. When looking at all age groups together, women hold far fewer waged jobs than men – about one in three in the weighted average of all five countries (36%; Figure 7). Wage work also accounts for a smaller share of jobs held by women (14%, compared to 22% among men). This pattern holds in each country in the Horn of Africa. However, it is noteworthy that young women are much closer to parity with their male counterparts among wage workers: in Ethiopia, young men and women are equally likely to hold a wage job (50%), and in Kenya and Somalia, their share approaches parity (41% and 43%).

Among men, a transition into wage employment among older workers is consistent with queueing, but young women are as likely as older women to have wage jobs. In Kenya and Somalia, wage employment is far more prevalent among older male workers than younger workers (a differential of 14 and 23 percentage points, respectively). This is a familiar pattern, often associated with queueing for attractive but scarce wage jobs. The comparison between younger and older workers is notably different for women. In Kenya and Somalia,

6 Patterns in Djibouti differ, but are hard to interpret due to the difficulty in distinguishing unpaid work from other activities; no data are available for Eritrea.

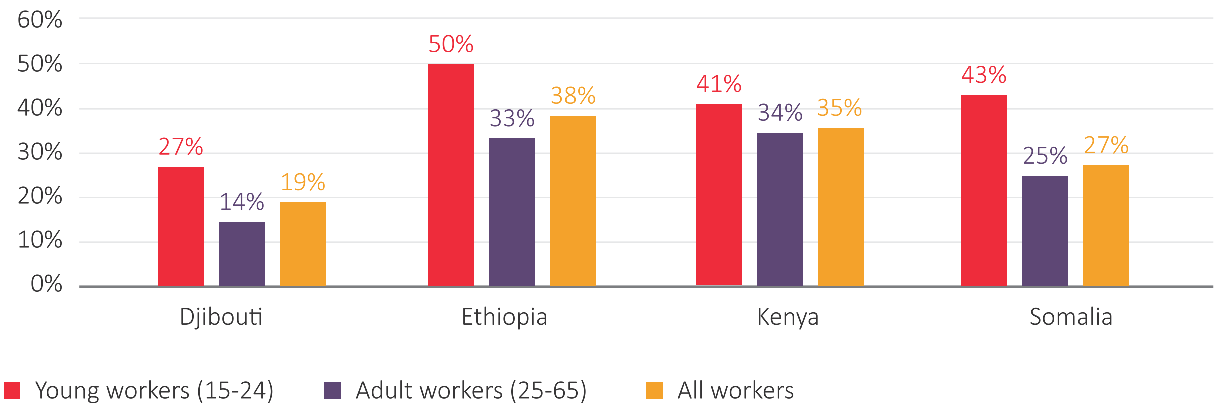
the share of wage workers among young and older women is virtually the same, and in Ethiopia, a higher share of young working women holds wage jobs (14%) than among older workers (10%). Such a shift could be related to rising education levels among women, but also to cultural shifts. The data may be consistent with the latter, in that education levels are higher among older wage-employed women than among older wage-employed men.

Figure 6: Life cycle transitions between job types



Source: World Bank staff calculations.

Figure 7: Share of women among wage workers



Source: World Bank staff calculations.

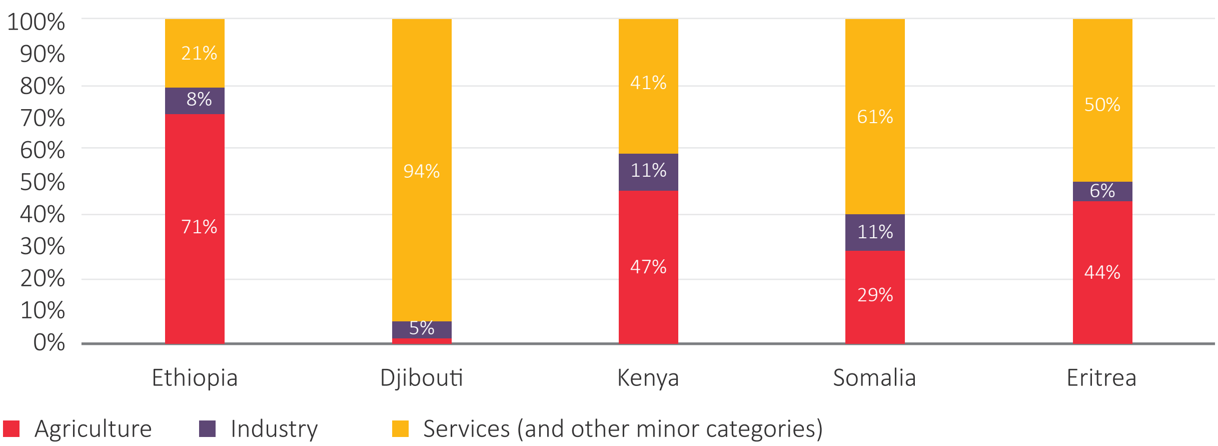
Sectors of employment

Industry remains a minor employer in all of the countries of the Horn of Africa, despite high and sustained growth in Ethiopia and Kenya. Kenya has East Africa's largest industrial sector in terms of value added, and the sector's share of employment has nearly doubled between 2005 and 2015. Ethiopia's industry value added has grown about ten-fold in the past twenty years, reaching similar size as Kenya's (World Bank, 2019a and *forthcoming*; WDI). Yet, industry still employs only between one in nine and one in twenty workers in the countries of the region (Figure 8). This is a familiar and regrettable pattern in lower-income countries and reflects the difficulty of translating success in industrial development into a decisive shift in job patterns when the baseline is low and population growth is high.

Most jobs remain in agriculture and services, but their importance varies across the countries of the region. Agriculture remains by far the largest employer in Ethiopia, where more than two in three workers depend on the sector (71%), a moderate decrease from a decade earlier, when agriculture accounted for 78% of all jobs (World Bank, *forthcoming*). Agriculture also remains a key source of employment in Kenya, where about half of all employment is in agriculture (47%), and about two in five in services (41%). Jobs in Eritrea come about equally from agriculture (44%) and services (50%), while Djibouti's port economy is almost entirely based on work in the services sector (94%). In Somalia, the share of workers in agriculture of 29% is surprisingly low for a fragile country with very high poverty; the importance of employment in the sector has fallen in part due to the displacement of currently 2.6m Somalis, many of them from rural areas (World Bank, 2020a; UNICEF, 2020).

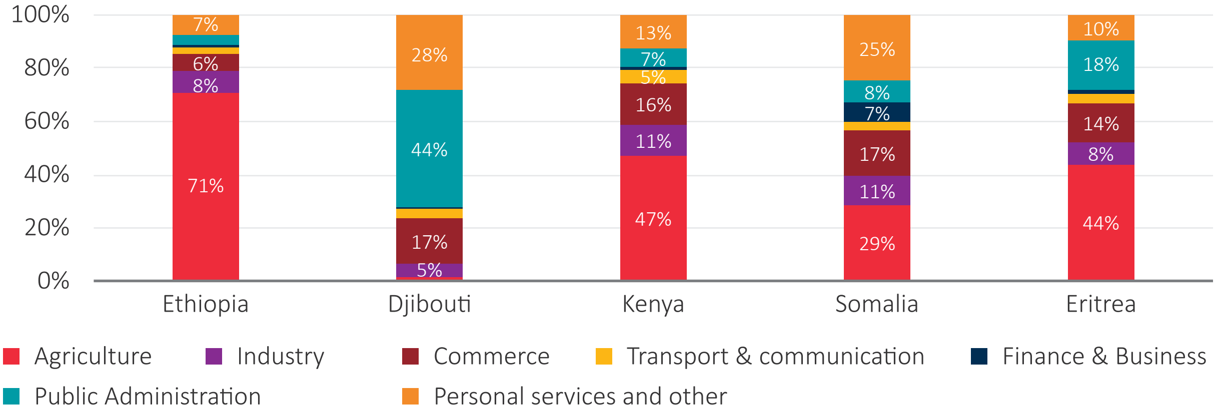
The sector breakdown of primary employment activities does not fully capture the diversity of job strategies in lower-income countries. It is common for households to jointly carry out several activities, including those that are part-time or seasonal, in order to make a living. For instance, in Kenya, one in four rural households (25%) have activities in both agriculture and non-agriculture (World Bank, 2019a). The sectoral breakdown shown here is most likely to approximately hold among the poorer households, in which workers tend to rely on single activities due to poor access to assets, as well as among the better-off, where full-time wage employment is most common.

Figure 8: Distribution of employment by sector



Source: World Bank staff calculations.

Figure 9: Distribution of employment by sub-sector



Source: World Bank staff calculations.

Outside of agriculture, commerce and personal services dominate private sector employment. As is common in lower-income countries, most private-sector jobs outside of agriculture are in commerce and in personal services (such as for instance hospitality, tailoring, cellphone charging, or mechanical repairs). Commerce consistently provides about one in six jobs (14-17%; Figure 9), with the exception of Ethiopia, where far fewer are active in trading. Personal services are particularly important in Djibouti and Somalia, where they provide at least one quarter of all employment, and also account for many jobs in Kenya.

Work on the public payroll remains very important in Djibouti and Eritrea, in particular for men. It is worth noting that public sector jobs contribute a very high share of employment in Eritrea, where just below one in five workers are in the public sector (18%), but especially in Djibouti, where more than two in five jobs are classified as being in public administration (44%). Indeed, the 2018 Djibouti SCD (p.54) estimated that including state-owned enterprises, nearly three in five jobs are in the public sector. Public administration public sector is a much less prominent employer in Ethiopia and Kenya, with 5% and 7% of all employment, respectively. However, it has been estimated public sector employment accounts for nearly half of all wage jobs in Ethiopia (46%, or about 5% of all employment; World Bank, *forthcoming*). Work in the public sector remains more accessible to men in both countries. In both Djibouti and Eritrea, there are four men on the public payroll for every woman, similar to the gender ratio in private wage employment Djibouti, but considerably below the wage work gender ratio in Eritrea.

SECTION 4

Job Outcomes

In all countries of the region, there is a lack of good jobs that allow for a life free of poverty. There are various meaningful approaches to defining what is a 'good' job. In a lower-income setting, the most immediate and compelling criterion is whether a worker's income-generating activities are productive enough to allow her to live a life free of poverty. By this yardstick, there is still a pronounced lack of good-enough jobs in the countries of the Horn of Africa. Poverty rates remain high (Table 4), and with most households economically active, so does the share of the working poor. At survey time, poverty was particularly widespread in Somalia, where more than two in three residents lived on less than USD1.90 per day. Ethiopia and Kenya both recorded poverty rates of about one in three residents (33% and 37%), while in Djibouti, one in six residents remained in poverty, despite an GNI per capita that approached the upper middle-income threshold.

Table 4: Poverty levels

Poverty headcount rate at USD 1.90 PPP			
Djibouti	17%	2017	Povcalnet
Ethiopia	33%	2015	Povcalnet
Kenya	37%	2015	Povcalnet
Somalia	69%	2017	World Bank 2019b

Source: World Bank staff calculations.

In Ethiopia and Kenya, wage jobs paid about I$130-170 (2010) per month at the median. Data on wages and earnings are available from two surveys, in Ethiopia and Kenya respectively. The median monthly wage was $130 (2010 PPP) in Ethiopia, and median earnings were $168 (2015 PPP) in Kenya, or about $6.50 and $8.40 per day respectively (Table 5). The relatively small difference between the two economies is due to the fact that the Kenya data capture non-wage employment in agriculture, which pays less than most wage jobs. As is expected, wages in professional services and in public administration tended to be among the highest, and those in agriculture, among the lowest. Thus, in Ethiopia, those in public administration could expect to be paid about half more than the median wage, while wages in agriculture barely reached half of the median, with a daily rate of about $2.60. The majority of wage workers active in commerce, manufacturing, transport and construction saw an intermediate level of wages, around $5 per day. Wages in Kenya were significantly higher, including in agriculture (around $5 per day) and industry, commerce, and personal services (around $10 per day).

Table 5: Wages and earnings by activity and type of employer (Ethiopia and Kenya)

	Ethiopia (2013)			Kenya (2015)		
	Median monthly wage (2010 I$)		Number of observations	Median monthly earnings (2010 I$)		Number of observations
All	$	130	*26,997*	$	168	*25,678*
Agriculture	$	52	*1,394*	$	96	*10,697*
Industry	$	117	*6,869*	$	240	*3,008*
Commerce	$	91	*1,390*	$	216	*4,336*
Transport & Communication	$	117	*3,452*	$	360	*1,506*
Finance & Business	$	224	*2,766*	$	781	*214*
Public Administration	$	186	*7,957*	$	552	*2,454*
Personal services and other	$	52	*3,169*	$	192	*3,463*

	Kenya (2015)		
Employer	Median monthly earnings (2010 I$)		Number of observations
Civil service ministries	$	853	*407*
State owned enterprise	$	720	*254*
Teachers service commission	$	850	*637*
County government	$	240	*1276*
School Boards (BOM) Employees	$	168	*310*
International NGO	$	1,081	*84*
Local NGO/CBO	$	360	*84*
Faith based organization	$	240	*163*
Private sector enterprise	$	216	*5,507*
Self-employed modern sector	$	384	*635*
Informal sector (employee)	$	202	*2,335*
Self-employed informal	$	216	*5,061*
Self-employed small-scale agriculture	$	96	*6,121*
Pastoralist activities (employee)	$	58	*545*
Self-employed pastoralist activities	$	108	*924*
Individual/private household	$	96	*3,032*

Source: World Bank staff calculations.

Wages and earnings in Ethiopia and Kenya reflect a considerable education premium. In both Ethiopia and Kenya, there is a marked premium for higher education. In Ethiopia, wages for the roughly two in five workers who have primary education are higher by one third than wages for the third of the working population that has no schooling. The premium is about twice as high for the one in ten Ethiopian workers who have secondary education. Likewise, in Kenya, roughly half of all worker report that they have some secondary education, and they command more than double the wage premium of those with primary education. Fewer than one in twenty workers in either country have post-secondary education, but among them, wage premia are very high – a bit less than twice as high as for those with secondary education in Ethiopia, and more than three times as high in Kenya.

Young workers and women earn significantly lower wages than older workers and men with comparable education levels. We previously discussed that there are some encouraging signs that young women have greater success than their older peers at finding wage employment. However, among those who find a waged job, significant wage differentials persist. Young workers and women both earn up to half less than their older peers and men, with larger wage differentials in Kenya than in Ethiopia.

Box 1: What might regional integration mean for jobs?

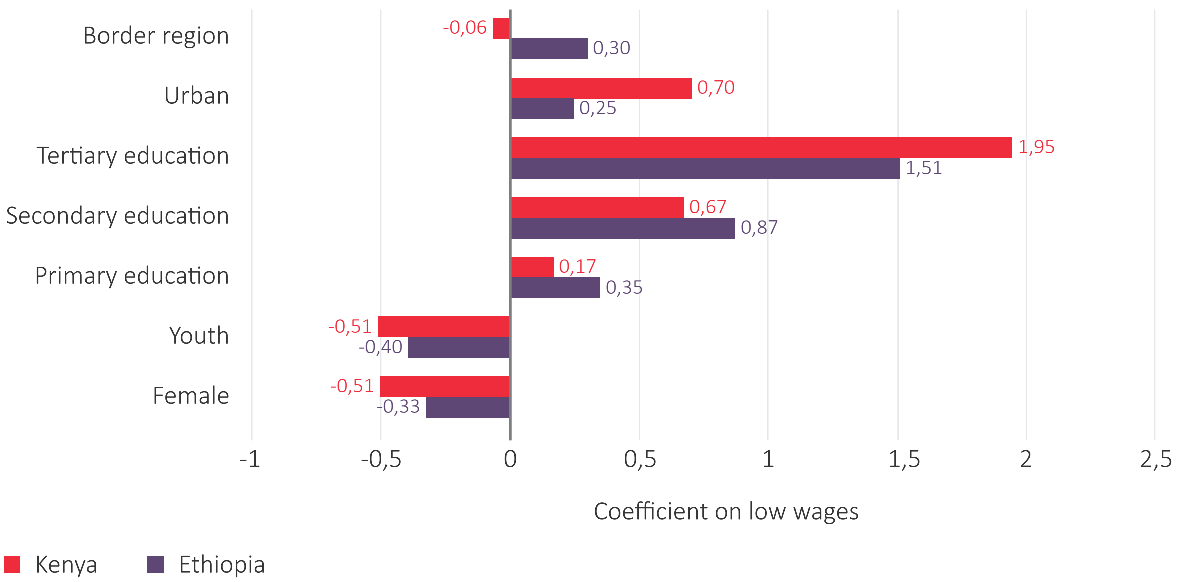
Better infrastructure and trade facilitation could increase employment outside of agriculture, grow productivity, and raise incomes. CGE modeling suggests that investments in infrastructure and trade facilitation could economic transformation both through sectoral employment shifts and productivity gains (see HoA REM Background Paper 5 on Enhancing Intraregional Connectivity in the Horn). The analysis simulates significant investment in road rehabilitation along with a halving of border transit times. Such policies would be associated with an increase in the share of employment outside of agriculture by 3.5 percentage points, and a four percent increase in real incomes. While modest in absolute terms, the predicted additional shift out of agriculture amounts to nearly one tenth of current employment in other sectors. The increase in income is about the equivalent of a good year's growth. Because earnings are higher for workers outside of agriculture (see Table 5), some of this rise in incomes comes from the shift of employment into other sectors. Without any changes in productivity within each sector, this predicted shift alone would account for a 2.6 percent increase income. The additional increase is explained by an expected rise in productivity within sectors.

	Predicted change in employment share outside agriculture (ppt)	Current share of employment outside agriculture	Predicted change in real income (ppt)	Predicted change in real income due to inter-sectoral shifts (ppt)
All Horn of Africa	3.5	39%	4.3	2.6
Ethiopia	0	29%	5.3	0.0
Kenya	10.7	56%	6.3	12.2
Somalia	0.8	71%	4.9	0.8

Note: predicted changes in employment share and real income from Chapter INFRA. Predicted change in real income due to inter-sectoral shifts obtained from predicted change in employment shares and mean sectoral earnings in Ethiopia and Kenya from data shown in Table 1, assuming no change in mean earnings.

With complementary strengths in agriculture and manufacturing, Ethiopia and Kenya stand to gain most from productivity gains, while Kenya could expect further structural transformation. Trade between Ethiopia and Kenya, the two largest markets of the region, currently shows agricultural products flowing from Ethiopia to Kenya, and manufactured goods flowing back (see HoA REM Background Paper 3 on Cross-Border Trade in the Horn). CGE modeling suggests that the complementarity between the two economies could lead to further welfare gains with better integration. Thus, Kenya is predicted to experience a large additional shift of jobs out of agriculture (eleven percentage points – compared to a 14 percentage point decline over the years 2006-2016), along with income gains of six percent that are entirely due to this shift. By way of contrast, no additional shift out of agriculture is predicted for Ethiopia. However, modeling suggests that real incomes in Ethiopia would rise by more than five percent. In the absence of shifts between sectors, this would be entirely due to productivity gains within sectors.

Figure 10: Determinants of monthly wages in Ethiopia and Kenya



Note: OLS regression of log monthly wages on worker characteristics.

SECTION 5

A Labor Demand Perspective

While this report does not analyze enterprise data, labor market outcomes shed light on the level and evolution of labor demand from businesses. This report is limited to analyzing jobs outcomes among workers as they are observed in household surveys. It does not use data collected from businesses to directly describe labor demand. Still, individual jobs outcomes reflect labor demand, and it is possible to point out some major features.

Despite growth in business employment, labor demand still relies heavily on self-employment and household work, and the public sector continues to play a large role in the demand for wage work. As shown above, about two-thirds to three quarters of the work force of the region do not hold a wage job (Figure 5). The share is higher in Ethiopia, where seven in eight workers are not in waged employment. What is more, much existing demand for wage employment still relies on the public sector. Nearly half of all wage employment in Ethiopia remains in the public sector (46% – World Bank, *forthcoming*), including in state-owned enterprises which "continue to play a considerable role in key areas of the Ethiopian economy, including in telecoms, finance, energy, logistics and transport, as well as in manufacturing, leaving little space for the private sector" (World Bank, 2019e). In Eritrea, the public sector accounts for about two in three wage jobs (64%), while in Djibouti, public sector employment provides six in seven formal wage jobs (86% – World Bank, 2018b).

With a low starting base, even high growth in modern private businesses can only gradually change the structure of labor demand. The economies of the region have made strides in fostering private business growth. Yet, with a rapid increase in the labor force and little initial employment in formal private business, the structure of labor demand will change only gradually. This dynamic is palpable in the Kenyan labor market. There is significant progress, and "the Kenyan economy is well diversified, boasting a major regional financial center in Nairobi, … a large manufacturing sector, … and Africa's largest exporter of agricultural products such as tea and horticulture." (World Bank, 2019d) Among manufacturing sub-sectors, food processing recorded more than six percent annual growth over the years 2009-2016, and the textiles, pharmaceuticals, and furniture sub-sectors each achieved double-digit growth rates. Yet, despite these strong dynamics, formal private sector wage employment remains limited to about one in every ten jobs (10%). Further persistent effort is needed to continue to bend the curve. Similarly, nearly half of all businesses interviewed for the 2019 *Enterprise Survey* in the Somali cities of Bosaso and Mogadishu reported that they had hired during the two years preceding the survey (World Bank, 2020c); yet, formal private wage employment remains at three percent of all jobs.

Individual entrepreneurship and household enterprises are significant potential sources of labor demand that could provide a 'step up' from more basic job activities. With most jobs in self-employment, it is important to consider the potential for the self-employed to create additional jobs. An analysis in Kenya finds that currently, only two percent of the self-employed hire additional workers (World Bank, 2019a). Yet, it also notes that two in five self-employed workers live in non-poor households and are the main breadwinners of their households (40%), two characteristics that may suggest that they are more likely to hire helpers in the future than other self-employed workers. Since the self-employed account for such a large share of the workforce, it would be sufficient for one in seventeen of these 'potential entrepreneurs' to hire a helper to create as many jobs as would result from a ten percent growth in formal private employment.[7] Similarly, an analysis of the Ethiopian labor market shows that in 2016, the 4.3m household enterprises active in the country had created about 4.4m jobs for workers other than the owners – one in ten jobs in the economy, and nearly twice as many as there are currently formal private sector jobs (World Bank, *forthcoming*).

7 With a self-employment share of 43%, of whom 44% are 'potential employers', and a formal private sector employment share of 10%.

SECTION 6

Labor Market Patterns and Job Outcomes in the Border Areas

Border regions are distinct in their remoteness as well as other factors – this section describes how jobs outcomes differ at the border, but does not suggest that differences are necessarily due to remoteness. In the region's three countries that are large in terms of surface area, border regions are more remote than other regions by meaningful measures (HoA REM Background Paper 5). Yet, they also differ in other important facets of geography and politics. For instance, all of Kenya's counties on the borders with Ethiopia and Somalia are arid, compared to only three of the country's other 42 counties; the potential for agriculture is limited.[8] Ethiopia's borderlands host the vast majority of the country's over 750,000 refugees (UNHCR, 2020). Such differences matter for jobs outcomes. This section describes jobs outcomes in the border areas; it does not seek to disentangle the effect of remoteness on jobs outcomes from the effect of other features of border regions.

Only in Somalia are border areas home to a large share of the overall working-age population, as well as a sizeable urban population. Among the four countries for which data are available, regions bordering another country have by far the highest population share in Somalia, where they are home to half of the working-age population (54%; Table 6). By way of contrast, Ethiopia's and Kenya's population is concentrated away from border areas; only about one in twenty residents of working age live near neighboring countries (5%). Kenya's and Somalia's border-region populations are about as likely to live in urban areas as in other parts of the country, but due to the low overall population share in Kenya, only Somalia's border regions account for a large share of the urban working-age population. Somalia's border areas are thus home to an urban working-age population of about two million, compared to about half a million in Kenya, and far fewer in the other countries. In Djibouti, about one in six working-age residents live in border regions, but the designation does not carry the same notion of remoteness due to the small size of the country. It is worth noting, however, that most of Djibouti's disadvantaged rural population lives in border areas.

8 Following the classification of the Ministry of Devolution and the Arid and Semi-Arid Lands.

Table 6: Population characteristics of border areas

	Working-age population in border areas		Share of the working-age population living in border areas			Urban share of WAP	
	All	Urban	Rural WAP	Urban WAP	Overall WAP	Non-border	Border
Djibouti	0.1m	0.04m	79%	8%	17%	97%	41%
Ethiopia	2.8m	0.1m	6%	2%	5%	10%	4%
Kenya	1.4m	0.5m	5%	5%	5%	33%	33%
Somalia	4.0m	2.0m	52%	56%	54%	45%	49%

Source: World Bank staff calculations.

The working-age population in border areas is slightly less youthful and there are fewer young women among it. With the exception of Somalia, the share of youth among the WAP is somewhat lower in border regions than in other areas of the countries, presumably reflecting migration. The differential in the youth share is two to three percentage points in rural areas, but in urban areas, the gap is quite large, between seven and ten percentage points. In Ethiopia and Kenya, men also make up a substantially larger part of the urban WAP in border areas. This is particularly notable among youth, with a differential of seven percentage points between border areas and other regions in Ethiopia and a gap of 13 percentage points in Kenya.

The workforce in border area is less well-educated, with very large differentials among young urban workers. Differences between border regions and other areas are yet more pronounced in education levels. Young urban workers, in particular, are much less likely to have more than primary education, with gaps of between twelve and 33 percentage points in Ethiopia, Kenya, and Somalia. This differential could reflect migration as well as poorer access to education. These are large differences. In each country, they exceed the gains in education between young workers and their older peers, and in Kenya and Somalia, they are of similar magnitude as the gap between rural and urban areas.

Border regions tend to have a lower share of active workers, a higher share of NEETs, and less wage employment, all consistent with a comparative lack of attractive job opportunities. Among different characteristics of the labor market, labor force participation is most consistently affected in border areas, potentially due to more conservative social attitudes as well as a dearth of opportunities (Figure 11). A similar pattern prevails in the share of NEETs and those in wage employment. It is worth noting that unemployment is quite consistently lower in border areas. However, to the degree that unemployment in the countries of the Horn of Africa chiefly reflects queueing among the well-educated for good jobs, lower unemployment in border regions may speak to a dearth of well-paid opportunities, rather than a vibrant labor market.

In Kenya's border areas, rural jobs outcomes may be most affected, while in Ethiopia and Somalia, urban border communities appear to see the least favorable outcomes. In Kenya's border regions, outcomes are most unambiguously negative in rural areas, where in addition to low participation, there is less wage employment, and those who have a waged job have lower average wages. In Ethiopia, lower urban wage employment alongside higher average wages among those who do hold wage jobs may speak to less vibrancy in border region businesses. Outcomes in rural areas are more mixed. Somalia's large population in border areas has mixed outcomes, with a lower share of waged employment and greater reliance on non-agriculture self-employment in rural areas. It is worth recalling that this comes before a background of poor job opportunities and high poverty throughout the country. The small labor market in Djibouti's borderlands shows a divergence between urban and rural areas.

Figure 11: Labor market characteristics of border areas compared to non-border regions

Panel A – All border areas

	LFP	Unemployment	NEET	Wage Employment	Agriculture Share	Low Wages
Ethiopia	Lower	Slightly lower	Slightly higher	Slightly lower	Similar	Much higher
Djibouti	Lower	Much lower	Much higher	Slightly higher	lightly higher	
Kenya	Much lower	Slightly lower	Higher	Lower	Similar	Much lower
Somalia	Slightly lower	Similar	Slightly higher	Much lower	Lower	

Panel B – rural areas

	LFP	Unemployment	NEET	Wage Employment	Agriculture Share	Low Wages
Ethiopia	Lower	Similar	Higher	Similar	Slightly lower	Much higher
Djibouti	Lower	Lower	Much higher	Lower	Higher	
Kenya	Much lower	Slightly higher	Slightly higher	Lower		Much lower
Somalia	Slightly higher	Similar	Slightly higher	Much lower	Much lower	

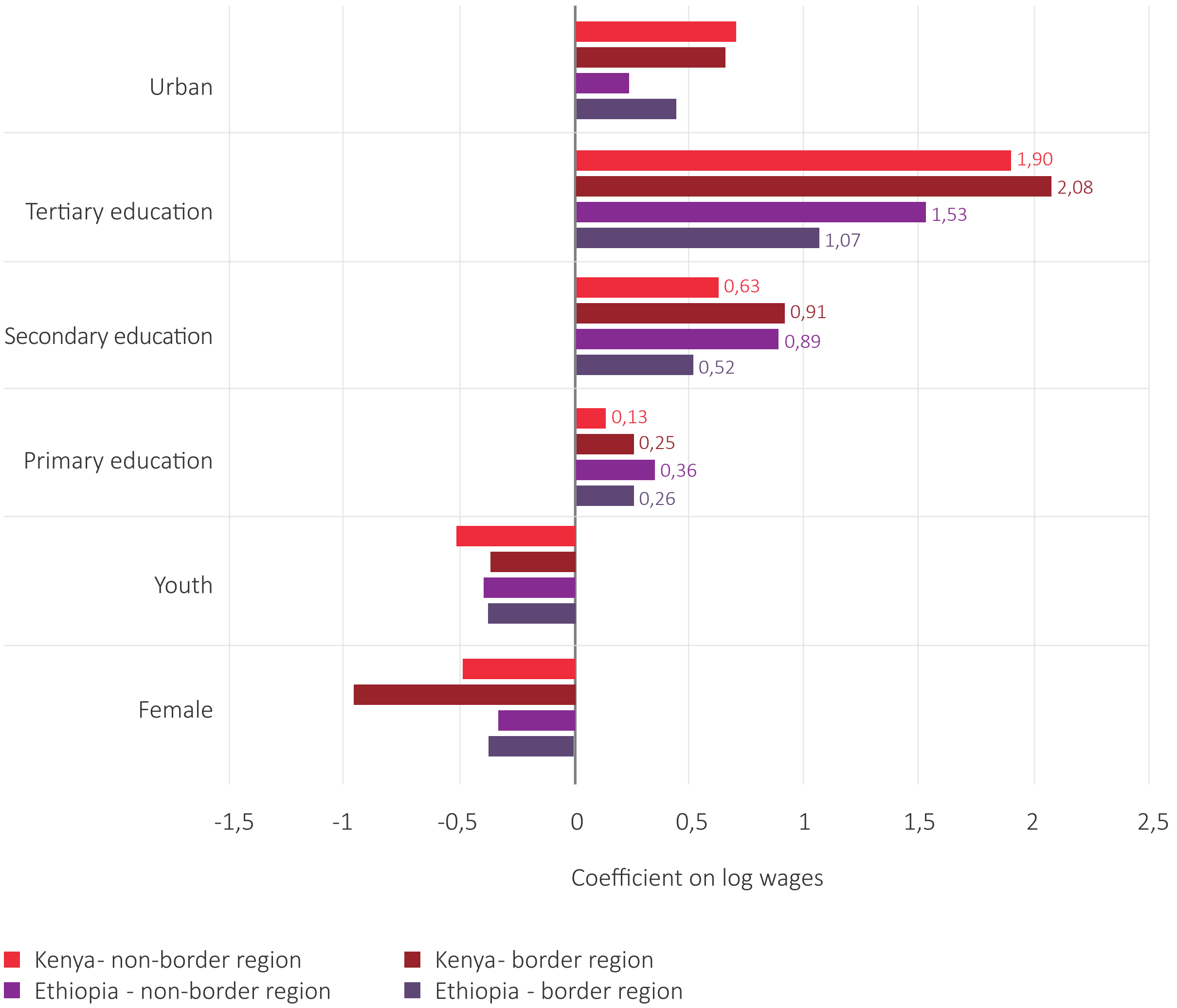
Panel C – urban areas

	LFP	Unemployment	NEET	Wage Employment	Agriculture Share	Low Wages
Ethiopia	Much lower	Lower	Higher	Much lower	Similar	Much higher
Djibouti	Similar	Lower	Lower	Higher	Similar	
Kenya	Much lower	Slightly lower	Slightly higher	Slightly lower		Much lower
Somalia	Much lower	Similar	Slightly higher	Lower	Slightly lower	

Note: saturation of shading indicates the magnitude of the gap between border and non-border areas; non-shaded cells record differences that are not statistically significant at the 95% level.

Despite differences in education achievement and access to opportunities, education wage premia persist in border areas. In Ethiopia, wage premia are consistently smaller in border areas, by around one third of the premium in non-border areas (Figure 12). However, premia are nonetheless very meaningful in magnitude (as well as statistically significant), with increments of about one quarter and one half at the mean for those with primary and secondary education, and double among those with post-secondary training. In Kenya, premia are at least slightly larger in border areas (and statistically significantly larger for secondary and higher education.

Figure 13: Correlates of wage levels in border and non-border areas



Source: World Bank staff calculations.

SECTION 7
Youth Cohorts

With youthful populations, labor forces in the region are expected to grow at high rates in the coming decade. As noted, population growth rates are high in the region. Over the coming decade and beyond, the labor force is projected to expand rapidly as large cohorts of young workers being to be active, while comparatively smaller cohorts of older workers stop work. Table 7 shows estimates of this evolution, based on UN population projections, and assuming that age and gender-specific labor force participation rates remain as measured in the survey data. With the exception of Djibouti, all countries are expected to see labor force growth rates around 3% per year. This translates into some very large net increases in the number of people available to work. In Ethiopia, by far the region's most populous nation, nearly two million more workers may be looking for a job each year over the coming decade. In Kenya, the net increase is not far from a million potential workers per year. Because of the significant opportunities and challenges associated with such growth, it is worth illustrating the scale of these changes relative to current employment patterns.

Table 7: Labor force projections 2020-2030

	Labor force			Average annual net increase		Growth rate
	2020	2025	2030	2020-2025	2025-2030	2020-2030
Djibouti	255,000	280,000	300,000	5,000	4,000	1.7%
Ethiopia	55,578,000	60,930,000	70,173,000	1,832,000	1,995,000	3.0%
Kenya	23,472,000	27,438,000	31,574,000	793,000	827,000	3.0%
Somalia	4,373,000	5,180,000	6,098,000	161,000	184,000	3.4%
Eritrea	1,562,000	1,806,000	2,057,000	49,000	50,000	2.8%

Source: World Bank staff calculations.

In each country, the labor force is projected to grow within two to three years by as many workers as are currently employed in industry. The number of workers entering the work force each year looms large in comparison to limited current employment in industry. In Eritrea, the number of workers is expected to increase within two years by the number of workers active in industry today. In the other countries of the region, it will take a bit less than three years for an equivalent number of workers to enter. In Ethiopia, a single year's increase exceeds the current estimated number of wage jobs in industry (the projected annual increase is 113% of current wage employment in industry).

Even with continued growth in industry, many of the additional jobs needed will be in agriculture and services, requiring continued attention to productivity in these sectors. It is notable that, despite Ethiopia's success in creating robust numbers of jobs in the industrial sector through focused support, the manufacturing share of urban employment has reportedly fallen from 12% in 2010 to 9% in 2018 (Table 8). This illustrates the difficulty of maintaining broad access to opportunities in the sector among a steep increase in labor supply. Conversely, while the share of employment in agriculture declined from 78% in 2005 to 71% in 2013, it is worth that the sector still accounted for by far the largest increase in jobs. Other countries in the region rely less heavily on agriculture, but it is clear that the agriculture and services will have to provide the bulk of new jobs, even if industrial policy continues to succeed – and that hence, productivity in these sectors deserves undiminished attention.

Table 8: Labor force increase compared to current employment patterns

		Annual net increase as a share of...	
	Absolute annual increase 2020-2025	Employment in industry	Formal private sector wage employment
Djibouti	5,000	37%	65%[a]
Ethiopia	1,832,000	39%	52%
Kenya	793,000	29%	34% [b]
Somalia	161,000	34%	89%
Eritrea	49,000	53%	25% [b]

[a] Increase shown relative to all current private wage employment, including informal.
[b] Increase shown relative to all current formal private employment, including self-employment.
Source: World Bank staff calculations.

Annual labor force growth is expected to be the equivalent of all current formal private sector wage employment within one to four years. Formal sector wage employment is often among the most desirable jobs available but remains the preserve of the lucky few in the countries of the Horn of Africa. While in Djibouti and Eritrea, the public sector provides many wage jobs, further growth in public employment is problematic. A comparison of current private sector wage employment and the expected labor force growth suggests that competition for these attractive jobs is likely to intensify. Thus, the number of (net) entrants is equivalent to all current formal wage employment in private business within one year in Somalia, two years in Ethiopia, and three years in Kenya.

Expected labor force growth among women is equally significant and reducing the employment gender gap poses an additional challenge, in particular in Djibouti and Somalia. There is no comparable data available on formal private sector wage employment of women. However, the number of young women expected to enter the labor force is significant even compared to all current private-sector wage employment of women, including informal wage jobs. The net increase amounts to the entire current number of these jobs within one to four years (Table 9). What is more, these projections assume that women and men maintain their respective current disparate levels of participation. It is worth considering what would be needed for further progress – for instance, reducing the current youth gender gap by half. In Djibouti, achieving this goal would mean tripling the number of additional jobs for young women; in Somalia, it would require increasing them by about one third. With lower gender gaps in the other countries of the region, the goal could be more easily achieved.

Recent performance confirms that even maintaining the current level of access to formal wage employment will be no easy feat. A recent analysis from Kenya suggest that over the years 2014-2017, a period of strong GDP growth, the economy created on average about 107,000 additional formal-sector jobs (including the public sector) per year (World Bank, 2019a). If this pace were maintained over 2020-2025, it would amount to about 14% of the net increase in workers. The overall rate of formal employment in the economy was 17% 2015, so that the share of formal jobs would slowly decrease. In Ethiopia, it has been estimated that employment growth in the formal private sector was 2.4% on an annual basis between 2011 and 2018 – a period of very robust growth (World Bank, *forthcoming*). This growth rate is substantially below the expected 3% annual increase in the work force, so that if these trends continue, the share of workers in formal private employment would likewise fall.

The challenge of labor force growth is compounded if Djibouti and Somalia hope to address the challenges of low employment rates.

The analysis shown here may appear to suggest that Djibouti faces a lesser challenge of creating good jobs than other countries in the region. However, this is purely due to the fact that the labor force projections assume that Djibouti maintains its very low participation and high unemployment rates. In Somalia, it bears highlighting that the considerable increases projected here are also based on the assumption that participation remains below the rates more typical of low-income countries (and within the Horn of Africa).

Table 9: Labor force increase among women compared to current employment patterns

	Women in LF annual net increase 2020-2025			
	... maintain current LFP	... reduce youth LFP gender gap by half	Additional increase to reduce youth gender gap	Annual increase as a share of current private wage employment among women (maintain current LFP)
Djibouti	1,000	3,705	*270%*	85%
Ethiopia	843,800	941,650	*12%*	66%
Kenya	378,400	407,978	*8%*	34%
Somalia	64,600	87,598	*36%*	25%
Eritrea	22,800	25,036	*10%*	52%

[a] Increase shown relative to current wage employment excluding work in public administration.
Source: World Bank staff calculations.

SECTION 8

Policy recommendations

With few productive jobs and high population growth, the region must balance policies for broad-based productivity growth in the short term with policies to foster economic transformation. Most workers in the region remain in activities that do not provide good incomes, with high levels of self-employment and family work in agriculture and casual services activities (chiefly, commerce and personal services). There are important gains to be had from a gradual shift toward higher-productivity work – including wage jobs – in manufacturing, services jobs with higher productivity, and market-oriented agriculture. Policy should vigorously support such structural transformation. However, with high population growth and a small base of high-productivity businesses and jobs, self-employment in agriculture and services will remain a crucial source of jobs for the foreseeable future. It remains important for policy to support productivity gains in these jobs, including in smallholder agriculture.

At the economy-wide level, effective policy for jobs and economic transformation in the Horn of Africa can focus on macro-fiscal stability, infrastructure and access to finance, and education. As the World Bank's policy framework for Jobs and Economic Transformation points out, "the list of policies to achieve JET is long and prioritization should reflect country contexts" (World Bank, 2019c). Given the endowments and current economic performance of countries in the Horn of Africa, policies that deserve attention at the cross-cutting, economy-wide level, include (1) macro-fiscal stability, better governance and a more favorable investment climate, as well as (2) investments in infrastructure and access to finance, and in (3) education. The form such policies should take to be effective depends on the state of the individual economies. For instance, in terms of promoting better access to finance, a cooperative banking sector such as Kenya's offers a platform to reach farmers, while in Somalia, support to the livestock sector may have to start from small grants before the basis for more sustainable financial services can be established.

Jobs policy must take account of the differences in economic structure between the countries of the region. While the countries of the Horn of Africa face some common challenges, differences are pronounced, and their analysis must inform policy design. Prior World Bank assessments have provided a full assessment of appropriate policies in individual countries (World Bank 2018b, 2019a, 2020a, *forthcoming*). Broadly, labor markets in Eritrea and Ethiopia look most like what is typical in low-income countries, with high participation, low education levels, and modest gender gaps. While it is important to foster Ethiopia's recent success in promoting its industrial sector, support to higher productivity in agriculture and other self-employed activities remains a priority for broad-base progress toward better jobs. Kenya has achieved higher education levels and strong manufacturing growth, and actions to improve access to wage employment can benefit increasingly large numbers of workers. Djibouti's labor market is shaped by the successful but unbalanced growth strategy of the past decades, and policy priorities include broadening job opportunities beyond the public sector and activities linked to the port and improving access for women. Finally, Somalia faces the legacy of conflict, very low income levels alongside low participation and extreme gender gaps. In addition to policies to restore productivity after conflict (see also World Bank, 2020b), will need to focus on promoting entry into self-employed activities and gradual progress on access for women.

Jobs policies can align with and complement investments in regional integration. As discussed, further integration of the markets of the Horn of Africa promises better jobs for many in the region, both through structural shifts and productivity gains within sectors. Infrastructure investment and trade facilitation are both needed to achieve these goals (see HoA REM Background Paper 5). Sectoral policies can support such investments and seek to ensure that there is an impact on jobs. For instance, investments could seek to support farmers in Ethiopia, herders in Somalia, and manufacturers in Kenya in seizing the opportunities better market access provides – whether through financing, capacity building for producer cooperatives, or business development services to help navigate product quality requirements.

Despite recent gains, jobs outcomes for women remain inferior, and deserve dedicated support. Young women in the Horn of Africa fare better in some aspects of working life than their older peers. However, a wide gender gap remains; in Djibouti and Somali, it is stark. Policy can target explicit barriers to women's full participation in economic life and build capacity in women's cooperatives and trade associations. Further, it can support women in building livelihoods that work within the persistent cultural constraints, for instance, by providing funding, training, and advisory services for jobs that can be done from home, Continued efforts to improve access to education for girls also remain crucial.

Borderlands offer fewer job opportunities, but while investment in human capital should not lag other areas, other policy initiatives dedicated to local development need scrutiny. While border areas in the Horn of Africa are not dramatically disadvantaged in terms of the job opportunities they offer, there are perceptible differences to less-remote areas of the five countries. Investment in education is a no-regret policy to promote job outcomes for residents of border areas; higher skill levels will benefit them whether they decide to look for job opportunities locally or to migrate internally. However, investment programs dedicated to boosting local production need to be carefully scrutinized. They may be justified by externalities that relate, for instance, to stability or the inclusion of disadvantaged groups living in border areas, or by special fixed cost associated with operating in remote areas. Yet, they must also consider the cost of investment in lagging regions and ask whether there is a viable path for local industries. Somalia has by far the largest population share in border areas, and the case for explicit spatial development policies is arguably stronger.

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