

Effects of Youth Unemployment in Malawi

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Annotation

Unemployment is a significant life event that has a devastating impact on people's lives, affecting the unemployed person, family members, and the community. Unemployment has a long-lasting impact which is far-reaching, affecting lives up to retirement. It has an impact even on the next generation prospects. Loss of valuable productive resources to any country's economy is also another impact of unemployment. Unemployment effects extend beyond individuals, families, communities, and neighborhoods. Scarcity and unemployment go hand in hand, and the characteristics of poor neighborhoods amplify the impact of unemployment. Local communities are damaged because people leave in search of work. This paper recommends improving policies and programs design for youth empowerment initiatives to accommodate essential issues.

Keywords: Capital Accumulation, Demographics, Entrepreneurial Skills, Entrepreneurial Values, Labour Force, Labour Market, Micro Level, Unemployment, Underemployment, Youth.

Research Question

This paper presents the effects of unemployment and underemployment among Malawi youth. The study examined the leading causes of unemployment and or underemployment among the youth and the effects or costs of unemployment and or underemployment of the youth. Correspondingly, the research objectives were to establish by secondary data who and why among the youth is likely to be unemployed or underemployed. It also investigates secondary data effects of unemployment or underemployment and makes appropriate policy recommendations from key findings. The paper will contribute to policy dialogue on education for entrepreneurial skills enhancement and development of the Micro, Small, and Medium Enterprise (MSME) sector for improved job prospects.

Introduction

Employment Demographics

Malawi covers a geographical mass of about 118,000 km² of which a third constitutes water bodies; thus, a total of 94,552 square km is land area. At a population of about 18 million people, it is fairly highly densely populated at 186 persons per square km compared to her neighbors. The population is considered youthful at a median age of 17 years. The population of children 14 years and below is about 43.9%, that of the youth (15-29 years of age) is 27.9%, that of 30-64 years is 25.5%, and the remainder 65 years and older is 3.74% (Population and Housing Census 2018). 52.3% of the population is the working population; thus, people aged 15 and older who supply labor for goods and services for 9.2 million. This number includes currently employed and the unemployed but seeking employment, and first-time job-seekers.

The International Labour Organization's (ILO) strict definition states that the unemployment rate is much lower at 6.1% than the unemployment rate obtained using the broad definition at 20.4% (2020). Among the youth (officially the age group 15-29 years of age), unemployment is higher than the national average at 7.55% (strict definition) or 27% (broad definition). The 15-19 years age group has the lowest labor force participation rate at 69.6% compared to the 25-29 age group at 95.1%. Correspondingly, the age group 15-19 has a higher unemployment rate than the 25-29 age group. 15-19 years age-group has the lowest labor force participation rate due to reasons including a significant proportion of these are still in-school (about 31%). Those primarily out-of-school dropped out of or graduated from secondary school without work-ready skills. Youth unemployment also has a gender face in that young women are more likely to be unemployed compared to their male counterparts.

The International Labour Organisation observes that job creation for the youth remains an uphill struggle as two out of five economically active youth in Malawi are still unemployed. The youth continues to suffer the effects of the economic crisis and austerity measures. Finding full-time employment as a youth with no experience continues to be an uphill struggle in such countries. In developing countries like Malawi, unemployment tends to be low because the need to survive forces everybody to do something. There is, therefore, a significant level of underemployment. Several factors that explain the

presence of a significant level of underemployment in developing economies like Malawi include:

- Lack of assistance programs for the unemployed since there is a need to earn a living, it is common for people to accept alternative work even if it does not use their occupational skills optimally;
- A high proportion of self-employed workers as a consequence of having experienced long periods of unemployment even if such jobs do not generate the same level of income they would get if they got formal employment; and

In most rural areas, there is much idle labor force compared to available work. Therefore, it is common to share available work, reducing the hours of work each one is engaged in. Correspondingly, income is also distributed.

Quality of Employment

While the unemployment rate went down from around 29% in 2014 to the present rate of around 20% in 2019, the quality of employment is often low, which does not allow those employed and the country to benefit from their economic potential. As earlier noted, agriculture is the most critical source of employment. The over-dependence on rain-fed agriculture implies that agricultural-based work is seasonal. This means most of the workforce only works for a certain period in the year-leading to underemployment and consequently low income. Lack of adherence to paying minimum wage allowed by labor law also qualifies most employment to be poor quality employment.

Factors Fueling Unemployment

Several factors drive the unemployment of the youth in Malawi. Population growth, lack of capital accumulation, and poor educational services have been key obstacles faced by developing countries to create jobs for their people.

Population Growth

For the last decade, the intercensal population growth averaged 2.9 %, resulting in the overall population growth during the last decade by 35%. The real GDP growth rate has oscillated between - 0.9% and 5%, but most of the years in the decade have averaged 2%. Studies have shown that high population growth in an environment of very low real

GDP growth results in rising unemployment. However, youth unemployment has average 7.5% throughout the decade. Ideally, youth unemployment should have been rising. The unchanged youth unemployment could be explained by rising underemployment for survival.

Capital Accumulation and Unemployment

Capital accumulation slowdowns have been associated with the rise in unemployment (Karanassou, M. et al. (2007)). While large companies make increasing use of technology and consequently shed off jobs, small and medium enterprises (SMEs), who contribute about 78% of the total formal jobs in low economy countries, struggle to grow due to challenges to access capital and, consequently, their downturn leads to job losses.

Global Unemployment Trends for Youth 2013 reveals that just over 66 percent of the demographic completing secondary education cannot make a successful transition to stable or decent employment in Malawi. Fifty percent of the youths are undereducated or overeducated for their jobs in Malawi. In comparison, sixty percent of them receive below-average wages. Lack of work experience is one of the major hindrances to get employed. A weak industrial base has been compounded by an International Monetary Fund Structural Adjustment Program, which has deepened poverty and inequality. The distressing consequences of sustained youth unemployment are increasingly coming to the fore in the deeply conservative country. Youths easily access marijuana and locally brewed alcohol due to unemployment. Some girls are forced into prostitution due to a lack of jobs.

Education and Unemployment

In terms of education, poor educational services characterized by poor infrastructure, inadequate and poorly trained and equipped teachers are producing a workforce that does not have adequate job-related knowledge and skills needed for the job today. In Malawi, the majority of the youth leave the education system before they acquire employable skills. The share of youth with secondary or higher-level education, vocational education, or training was 16.5% in 2014 of the total youth population and has not significantly changed to date. The youth (around 57%) leave school early for economic reasons.

Malawi needs to economically empower the youth for improved employability in decent work and sustainable entrepreneurship. The education system needs to address issues

such as the lack of an entrepreneurship mindset and the youth's technical and business skills weaknesses. Lack of access to markets and information and lack of access to finance for the youth are some challenges that the Government needs to address. There are weaknesses at the policy and regulatory level for promoting youth-owned Small and Medium Enterprises (SMEs), resulting in a low employment level by the existing private sector.

COSTS OF UNEMPLOYMENT

Society Costs

The impact of unemployment reaches out to the community and society in which the unemployed person lives. While one unemployed person may not significantly impact society, high unemployment rates often lead to higher poverty rates and poor neighborhoods. High unemployment rates communities are more likely to have fewer opportunities for employment, low housing quality, fewer recreational activities, limited access to public transportation and public services, and underfunded schools. Malawi has fertile agricultural soil and plenty of water. However, there is a need for an educational program of entrepreneurship, which will create a better domestic market where the youth can sell their produce.

Economy Costs

Unemployment, in addition to effects on the individual and societal levels, also directly impacts the economy. Unemployed people spend less money, which ultimately contributes to less contribution to the economy in relation to services or goods sold and produced. Unemployed persons experience a reduced purchasing power, leaving other individuals who create products purchased by these individuals without jobs. Unemployed people consume much less than the employed; therefore, a higher unemployment rate can leave the economy lacking in terms of products sold. This can leave organizations with decreased revenue.

Reduced Income

Unemployed people have reduced income as a direct consequence of not having a job. Because a job provides a salary for the employee, being unemployed takes away these benefits and leaves them with less available income. The unemployed who do not

have any other source of income find it hard to access essential needs such as food and living expenses.

Malawi is tragically losing many of its energetic young people, who are critical for developing its future, to drugs and alcohol. The majority of young unemployed are impoverished and cannot afford to pay for skills training. Youths migrate from town to town searching for work as laborers as the unemployment crisis brings them to poverty. It is almost impossible to talk about Malawi's problems without talking about the high unemployment rate ravaging its youth and dragging them into a downward spiral of unemployment, homelessness, and crime.

Presentation and Analysis of Findings

Objective 1: Who is Unemployed and Why

Among the youth (officially the age group 15-29 years of age), unemployment is higher than the national average at 7.55% (strict definition) or 27% (broad definition). 15-19 years age group has the lowest labor force participation rate at 69.6% compared to the 25-29 age group at 95.1%. Correspondingly, the age group 15-19 has a higher unemployment rate than the 25-29 age group (ILO, 2017).

Table 1: Currently Employed By Gender							
Work Status	Gender				Total (n)	The proportion of Females Working	The proportion of Males Working
	Male (n)	Male (f %)	Female (n)	Female (f %)			
Currently working	44	66%	26	53%	70	37%	63%
Not Working	23	34%	23	47%	46		
Total	67	100%	49	100%	116		

Table 2: Currently Employed by Highest Academic Qualification						
	Secondary		Vocational/Tertiary		Total	
	(n)	(f (%))	(n)	(f (%))	(n)	(f (%))
Currently Working	30	41%	40	65%	70	51%
Not working	44	59%	22	35%	66	49%
Total	74	100%	62	100%	136	100%

Source: Matabwa (2020)

As given in Table 1, from a sample of 360 graduates within the age group 18-35 years, a total of 116 representing 32% were not enrolled in any academic institution, thereby actively available for employment. 57.7% of these were males, and 42.3% females. A higher proportion (66%) of males compared to 53% of females were employed. This clearly shows males are more likely to be employed than females, a finding which is similar to other studies. Seventy respondents were employed, representing an unemployment rate of about 39%, about 12% above the official unemployment rate of 27% among the youth in the country. By gender, the proportion of females currently working was 37%. In general, the younger workforce faces a higher unemployment rate compared to their older counterparts.

In Table 2, those with a vocational level education qualification were about 1.5 times more likely to be employed than those with secondary education qualifications only. Other studies do confirm that low-level educational qualifications are related to high levels of unemployment. It can be concluded that: males with a vocational qualification are more likely to be employed.

Objective 2: Effects of Unemployment and Underemployment

The figure below shows the GDP of several sub-Saharan countries, most of which depend on subsistence rain-fed agriculture as their economic lifeline. As argued earlier, this type of agriculture employs the majority of labor in most of these countries. Because agricultural employment is seasonal, it is evident that subsistence agriculture characterizes underemployment and the macroeconomic effect is very low economic growth. Compared with South Africa, which is more industrialized and thereby offers better quality jobs, its economic growth is significantly higher than its sub-Saharan counterparts.

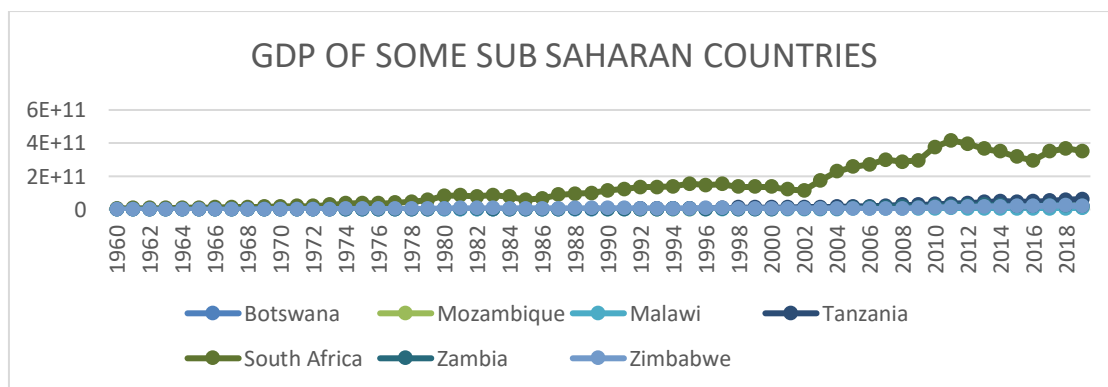


Figure 1: Source: World Bank Report (2020)

At the micro-level, unemployment and or underemployment directly affects the quality of life. About 50% of households in Malawi live on less than \$2 a day and consequently experience poor quality of life. Access to essential services is low as they cannot afford them. As other studies have shown, socially, unemployment and underemployment are related to scarring, rising social issues like drug and alcohol abuse and crime. However, specific studies on the social effect of unemployment and or underemployment in Malawi would be areas for further studies.

Conclusion

Implementing policies that match education and training with employer needs are among the recommendations in this paper that if young people are given a fair chance at a decent job, Malawi will attain economic gains. Malawi has not created the jobs needed for the youth who have graduated from Secondary School education. In addition, more college graduates have diplomas than the market can absorb. Such a mismatch between what the labor market offers and young people's expectations continues to grow and creates frustration among the youth. Such a fragile situation for young people suggests particular policy prescriptions. Malawi needs to target skills development through improving the quality of education and training systems. Better training programs and private sector incentive schemes that help to fill the skills gap are also needed to improve employability among youth.

On the other hand, entrepreneurship and self-employment are effective ways to address poverty and reduce unemployment among young people. Accordingly, targeting marginalized people through specific programs to support entrepreneurship and promote entrepreneurial values and norms could help address youth unemployment and poverty. In addition, improving access to financial services to meet the needs of small and medium-sized enterprises is necessary to support young entrepreneurs.

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