

Global Food Security Strategy Technical Guidance Employment and Entrepreneurship

This is one of 18 technical guidance documents for implementing the U.S. Government's Global Food Security Strategy. The entire set of documents can be found at www.feedthefuture.gov and www.agrilinks.org.

Introduction

Increasing employment and entrepreneurship (IR3) is a key pathway towards inclusive and sustainable agriculture-led growth (Objective 1), as noted in the U.S. Government's Global Food Security Strategy (GFSS). Generating incomes through on-farm and off-farm work helps households rise out of poverty, become more resilient, and be well-nourished.

This guidance document describes how the U.S. Government can support increased employment and entrepreneurship through Feed the Future, in support of the GFSS. It clarifies concepts, synthesizes emerging evidence, presents principles to guide project design and implementation, and illustrates potential programming. It complements the GFSS Technical Guidance for Diversifying Livelihoods, Resilience, and Pathways Out of Poverty and GFSS Technical Guidance for Youth Programming as employment and entrepreneurship can help households diversify their livelihoods and absorb the dynamism of the booming youth population across Africa and parts of Asia.¹

Terminology

Employment (or a job) is any activity that generates actual or imputed income, monetary or in kind, formal or informal.² It includes employers, wage and salaried workers (employees), and self-employed workers (including all contributing family workers), regardless of sector of activity.³

As such, employment includes **household enterprises**: informal family operations in the nonfarm sectors that draw only on family labor. Compared to small- and medium-sized enterprises (SMEs), owners of household enterprises tend to have less education and fewer management skills and connections to financial services. Household enterprises have been and will continue to be a critical source of income for low-income households in rural and urban areas.

Donors sometimes promote employment by supporting entrepreneurship. **Entrepreneurship** refers to the starting and/or managing of a business, whether formal or informal. It refers to growth-oriented businesses (firms) that employ others outside the entrepreneur's family and focus on generating new value.⁴

Rethinking Our Approach to Employment

A helpful way of thinking about fostering employment opportunities is by differentiating between donor interventions designed to promote the supply of labor and those to promote the demand for labor.

Historically, donors have approached the challenge of increasing employment by focusing on supply-side interventions. **Supply-side interventions** improve the qualifications of current and prospective labor force participants to raise their earnings. These include efforts to help individuals enter the labor force or switch to higher-paying jobs, including through interventions such as:

- **Targeted technical skills training** associated with particular areas of expertise and practice in specific agricultural science sub-disciplines.
- **Non-cognitive skills training**,⁵ such as leadership, communication, and character skills (such as self-confidence), that contribute to an individual's ability to perform well in the workplace or undertake successful income-generating activities.
- **Helping training institutions be more responsive to the labor force and private sector labor demand**, so that they can stay at the forefront of innovation and more nimbly respond to changing labor market needs to provide relevant, “just in time” skills training for occupations where demand is clearly expanding.

Evidence on the impact of supply-side interventions is mixed and insufficient.⁶ For example, a recent systematic review of technical and vocational education and training interventions found small, but positive, effects on employment and earnings.⁷ Yet, there is insufficient evidence to determine whether the employment effects were net additional or simply the result of displacing untrained workers. Other supply-side interventions, such as USAID's experience in Guatemala in supporting accelerated education programs for youth interested in working in agriculture, may be promising. The idea is to help young people attain formal schooling while gaining the technical skills and knowledge to meet the labor demands of a modernizing agricultural sector.⁸

Demand-side interventions are designed to improve factors beyond the control of workers that affect labor demand and productivity. To promote wage employment, for instance, interventions may draw on the power of private sector investments by working with local stakeholders to:

- **Increase productivity of farmers, household enterprises, and SMEs.** These activities include efforts to help farmers, households, and firms be more productive by increasing their access to financial services, improved inputs, technical training and assistance, and value-addition (e.g., improving production practices to meet higher quality and safety standards), including through better coordination among market actors (e.g., aggregation models that enable smallholders to engage with larger distributors) and collective efforts (e.g., producer groups and cooperatives). Many efforts to promote entrepreneurship fall in this category, such as training on business and financial management.
- **Strengthen market systems.** Much of our value chain and market systems programming focuses on reducing the transaction costs for financial service providers, aggregators, input suppliers, and others that can help SMEs and farmers take better advantage of market opportunities.
- **Strengthen the enabling environment** for private sector investments, particularly those that generate economic opportunities for rural households. These policies may include, for instance, those governing employment and social protection, land rights, trade flows, rural services and infrastructure, and taxation, among others, including laws on the books and government regulations in practice.

In the case of self-employment, interventions may benefit current or potential self-employed business owners by guiding their choice of activity, earnings potential, and risk management.

In addition to the compelling empirical case for demand-side interventions, trends in the labor market across Africa further warrant a greater focus on interventions to support household enterprises.⁹ **Formal sector wage jobs will not absorb Africa's growing labor force** anytime in the near future. Even though the formal wage sector is expanding rapidly, projections suggest that formal wage jobs will account for, at most, 25 percent of new jobs in sub-Saharan Africa by 2020. The remaining 75 percent will come almost evenly from agriculture and non-farm household enterprises. **People in rural areas of low-income countries rely heavily on mixed livelihoods**, combining incomes from temporary and seasonal work as well as agricultural and non-agricultural jobs, including household enterprises, and, in many low-income countries, remittances.¹⁰

In light of this reality, rural households face two fundamental challenges when it comes to employment: the seasonality of labor tied to agricultural production cycles (leading to underemployment) and lack of higher productivity self-employment or casual wage employment opportunities. Placing greater emphasis on demand-side interventions as a path to increased employment and entrepreneurship makes sense, and this should be encouraging news: at its core, Feed the Future strives to support broader agricultural and rural transformation grounded in improved productivity of smallholder agriculture and more dynamic value chains and market systems.

Designing Interventions

Promoting agricultural and rural transformation is the most promising way donors can help generate employment and entrepreneurship. But there are a few steps we can take in ensuring our programming helps poor households take advantage of income-generating activities.

- 1. Understand the economy and the labor force within the zone of influence (ZOI).**

In exploring the possibilities, draw on assessments of the growing income earning opportunities in the rural economy and identify the constraints poor households and their members — especially women, youth, and marginalized groups — face when participating in these markets as workers, business owners, or service providers. Across Africa, for instance, farming will remain the single largest employer of the workforce for at least another decade and increased labor productivity in agriculture will remain an important driver of labor productivity in the non-agricultural sector (as labor moves from agriculture to other sectors).¹¹ Note that some opportunities and constraints may be specific to economic activities in our zones of influence, while others may be consistent across the country. Also, the constraints that laborers, the self-employed, and entrepreneurs face are often very different, requiring tailored, distinct solutions.

- 2. Improve opportunities in agricultural and food value chains and market systems.**

The U.S. Government can help generate demand for much-needed jobs by working with local stakeholders to strengthen value chains and market systems, as described in the GFSS Technical Guidance for Market Systems and Value Chains.¹² Value chains and market systems can increase productivity and production through the adoption of improved inputs and production practices (such as the use of irrigation that opens year-long production opportunities and reduces the seasonality of income-earning opportunities); value-addition, processing, storage, distribution, and transportation; food preparation and sales; and enabling policies.¹³ Increased production and productivity increase earnings from employment. Despite the logical connection that private sector investment has in creating jobs, there is very little reliable data on how value chain and market systems projects affect employment.¹⁴ What we do know is that, beyond the direct impact on jobs, value chains can generate demand for wage labor and household enterprise opportunities through multipliers to the local economy.¹⁵

- 3. Take stock and adapt.** When assessing the outcomes of programming, remember to see if the measures being adopted to enhance agricultural productivity and better functioning market systems lead to more full time work (for instance, a reduction in seasonal underemployment) and additional sources of income that help households diversify their risk. Be prepared to adapt programmatic interventions to address learnings from the outcome data.

- 4. Be intentional about women, youth, migrants, and other marginalized groups.** Women, youth, migrants, and other marginalized groups are routinely excluded from markets and the benefits of agricultural growth. Common barriers to women's employment and entrepreneurship include men's control over productive assets, the disproportionate time burden of household

chores on women, lower educational attainment compared to men, and cultural norms restricting women's mobility, decision-making, and activity. Youth face greater constraints than adults to accessing financial services and market networks, keeping them from taking full advantage of opportunities to modernize agriculture or to service the rising demand for specialized support across agricultural and food markets (e.g., as village agents, traders, transporters, technicians). Migrant workers often lack timely and accurate labor market information and find themselves in abusive working conditions without the means to protect their rights. See the GFSS Technical Guidance for Gender Equality and Female Empowerment and the GFSS Technical Guidance for Youth Programming.¹⁶

Programming in Practice: A Case of Increasing Incomes through Dairy in Rwanda

The Feed the Future Rwanda Dairy Competitiveness Program II (RDCP) aimed to reduce poverty by helping Rwandans expand production and marketing of good quality milk, thus generating income and employment and improving nutrition of rural households.¹⁷ The activity's development hypothesis was that improving raw milk quality, production efficiency, and milk marketing along the dairy value chain would help dairy producers take advantage of market potential. It would reduce seasonal under-employment as milk production is a year-around activity.

Building on earlier efforts, RDCP worked on many fronts. It trained dairy farmers to adopt improved practices and access financial services; facilitated market connections among service providers, farmers, and cooperatives, including through the development of milk collection centers and milk transporters; catalyzed private sector support by partnering with large branded-milk retail outlets where pasteurized milk and milk products are sold directly to consumers in a standardized manner; promoted the sale of quality branded milk; and worked with the national government to advance dairy quality certification programs, among many other efforts.

As a result of these efforts to improve milk production and sales, milk producers more than doubled their incomes over the life of the project and added value to the dairy value chain. Producers and cooperatives spent an additional \$32.6 million on farm inputs to improve dairy production and marketing over the five-year period and adopted new ways of working with processors. And between 2012 and 2016, the project created about 12,089 jobs. RDCP also saw greater participation by women in dairy. The share of positions occupied by women in the sector increased from seven percent to 38 percent, and women were more likely than before to have the assets they needed to improve productivity, connect with buyers, and even manage small herds.

The real test, of course, is how well market actors will sustain these efforts now that RDCP has ended. At the end of the project, consumer recognition and reward for higher quality milk was expanding, non-project partners were beginning to imitate the approaches RDCP used, and Rwandans used the support of RDCP to help create the Rwanda National Dairy Platform, a private sector-led coalition dedicated to the continued success of the country's dairy industry.

Additional Resources

In addition to the complementary GFSS Technical Guidance documents referenced throughout this guidance, see USAID's [Including Wage Labor in Value Chain Analyses: A Guide](#).

For further assistance related to this Technical Guidance, please contact ftfguidance@usaid.gov.

References

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- ¹ GFSS Technical Guidance documents <https://feedthefuture.gov/lp/guidance-and-tools-global-food-security-programs>
- ² World Bank, 2012. *World Development Report 2013: Jobs*. New York: Oxford University Press. See also Filmer and Fox, 2014.
- ³ ILO Status of employment definitions. <http://kilm.ilo.org/2015/download/kilm03EN.pdf>.
- ⁴ Some authors have included self-employment in this category; this guidance document does not.
- ⁵ Also referred to as functional, transferable, or soft skills.
- ⁶ Note that these interventions do not include formal schooling, for which there is plenty of evidence on the positive association between educational attainment and wage income.
- ⁷ Tripney J, Hombrados J, Newman M, Hovish K, Brown C, Steinka-Fry K, Wilkey E. Technical and Vocational Education and Training (TVET) Interventions to Improve the Employability and Employment of Young People in Low- and Middle-Income Countries: A Systematic Review. *Campbell Systematic Reviews* 2013:9 DOI: 10.4073/csr.2013.9
- ⁸ See USAID, [Youth Engagement in Agricultural Value Chains across Feed the Future: A Synthesis Report](#).
- ⁹ This section draws heavily from Louise Fox and Upassna Kaul (2017), “What Works for Youth Employment in Low-Income Countries?” (June 12 draft) and Louise Fox and Thomas Pave Sohnesen (2016), “Household Enterprises and Poverty Reduction in Sub-Saharan Africa.” *Development Policy Review* 34(2):197-221.
- ¹⁰ The MasterCard Foundation (2017), [Invisible Lives: Understanding Youth Livelihoods in Ghana and Uganda](#).
- ¹¹ Felix Yeboah and Thomas Jayne (2017), “[Africa’s Evolving Employment Trends: Implications for Economic Transformation](#).” *Africagrowth Agenda Journal* 14(1):18-22.
- ¹² GFSS Technical Guidance documents <https://feedthefuture.gov/lp/guidance-and-tools-global-food-security-programs>
- ¹³ See World Bank (2017), [Future of Food: Shaping the Food System to Deliver Jobs](#).
- ¹⁴ Verina Ingram and Elsje Oosterkamp (2014), [Literature review on the labour market impacts of value chain development interventions](#). Wageningen, LEI Wageningen UR (University & Research Centre).
- ¹⁵ Don Snodgrass (2016), [Agricultural Transformation in Sub-Saharan Africa and the Role of the Multiplier: A Literature Review](#). USAID LEO Report No. 4.
- ¹⁶ GFSS Technical Guidance documents <https://feedthefuture.gov/lp/guidance-and-tools-global-food-security-programs>
- ¹⁷ Land O’Lakes International Development (2017), [Rwanda Dairy Competitiveness Program II, Final Report](#) (January 6, 2012 – January 5, 2017).