Policy Brief

partnership for economic policy pep

No. 239 June 2021

Investing where women and graduates work to reduce the duration of unemployment in Senegal

By Viviane Laure Mamno Wafo, Jean Rodrigue Malou, Amy Cisse, Moussa Thiaw, Pierre Mendy, et Khadidiatou Dia

Key messages

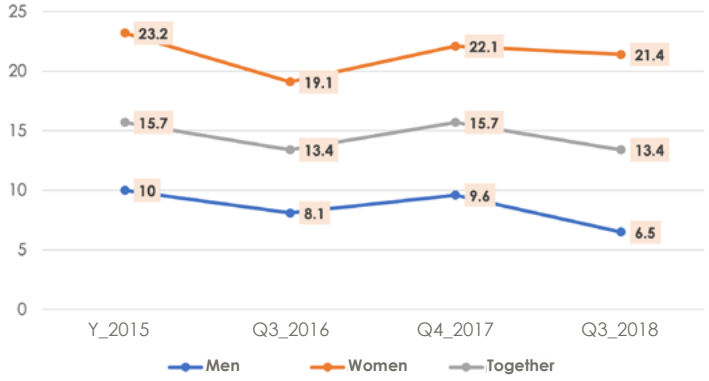
- **Increasing investment in the 'Civil Engineering' and 'Hotel and Catering' sectors is an effective way of reducing the number of unemployed women and graduates**

Inequalities in the Senegalese labour market

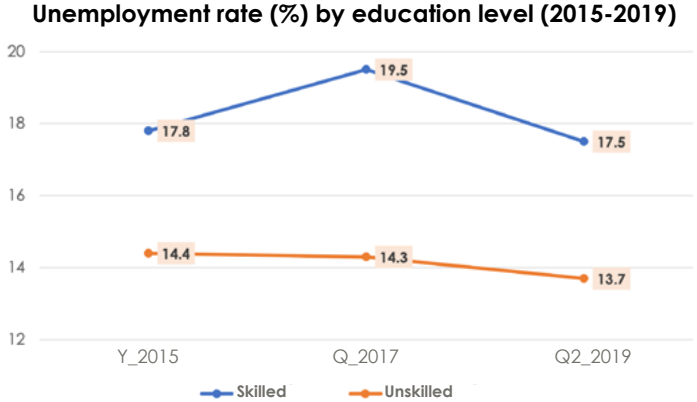
Even though the implementation of the Plan for an Emerging Senegal (PSE) and the Priority Action Plan (2014-2018) have significantly increased the number of jobs available, unemployment among women and graduate/skilled workers is still high in the Senegalese labour market.

Although there is a decline in the level of unemployment for all categories of workers identified, women and skilled workers remain the most vulnerable to unemployment throughout the 2015-2018 period (see figures below) and remain unemployed longer. This high and persistent level of unemployment among women and graduates, undermines their level of participation in economic activity and inevitably reduces labour productivity while further reinforcing poverty, food insecurity and inequality in Senegal (Pharr & al., 2012; Rihova & Peckova, 2016). In addition, according to the ILO (2020), the Covid-19 crisis is worsening the living conditions of the already vulnerable groups in the Senegalese labour market. This situation contributes to increasing existing inequalities in the labour market and requires targeted interventions in favour of the vulnerable groups. This decline in productivity is moreover what justified the equitable promotion of the economic participation of the different categories of workers in the PSE, defined in 2014.

Unemployment rate (%) by gender (2015-2018)



Unemployment rate (%) by education level (2015-2019)



Source : ENES (2015, 2016, 2017, 2018, 2019). "Qi" corresponds to quarter i of the corresponding year.

Research project

In 2019-2020, a team of PEP researchers in Senegal carried out a research project aiming to identify new sectoral public policies that could help reduce the length of the unemployment "queues" for women and graduates in the Senegalese labour market. **The project consisted of two parts:**

1. **A scientific study** that consisted first of identifying the sectors that would generate more jobs for the target groups, and then simulating in order to measure the impacts of different shock/policy scenarios on the variables of interest - not only for these two groups, but for the Senegalese economy as a whole. To do this, the researchers used a computable general equilibrium model, combined with data from Senegal's 2015 and 2016 National Employment Surveys (ENES), as well as Senegal's Social Accounting Matrix (SAM) for 2014.
2. **A comparative evaluation of the identified policy options** according to a range of criteria reflecting different 'practical' aspects of the policy, and therefore of relevance to the decision-maker.

Policy options

Considering the implementation of the second phase of the PSE from 2019 to 2023 and the results from their research study, the researchers identified two macroeconomic policy options worth considering:

1. **Attracting new investments, notably through capital subsidy mechanisms**, in sectors that generate more jobs for these categories of workers, namely the civil engineering and hotel and catering sectors.
2. **Encourage strong import substitution of agricultural products**, through higher tariffs, in order to stimulate local production and consequently increase the labour demand in the agricultural sectors.

Policy evaluation

The authors' analysis (table on page 3) **shows that these two measures would reduce the number of unemployed women and graduates by over 40%.**

However, **only the policy of attracting new investors (option 1) enables a more rapid reduction in unemployment among women than among men.** Indeed, this option enables to achieve, at the same time:

- the creation of jobs in sectors that are intensive in female and highly skilled labour,
- the reconciliation between the supply of and demand for this type of labour factor.

If capital investment is drawn to the sectors in question at a rate of 10% within a year, there will be an increase in production capacity and a subsequent increase in the demand for labour factor.

Although this option has the advantage in terms of 'feasibility' (as it would be relatively less complex to implement), it is nonetheless more costly than Option 2 in the short and medium term; consequently, it is likely to be subject to trade-offs, particularly in view of the scarcity of resources resulting from the Covid-19 crisis.

On the other hand, while option 2 is also (although relatively less) effective, less costly and more "cost-effective" (in terms of cost-benefit ratio), it would be very complex to implement.

Evaluation of economic policy options

Option / Criteria	1. Attracting new investments	2. Increased import substitution of agricultural products
Effectiveness	**Highly effective:** Reduces the number of unemployed graduates and women by 44.58% and 45.77% respectively, compared to the baseline.	**Effective:** Reduces the number of unemployed graduates and women by 44.21% and 43.71% respectively, compared to the baseline.
Efficiency	**Highly efficient:** Guaranteed by the optimal choice of investment sectors	**Highly efficient:** Guaranteed by the optimal choice of the products concerned
Cost-benefit ratio[1]	**Beneficial:** Annual net profits: 110.3 billion Cost-benefit ratio = 0.74	**Highly beneficial:** Annual net benefits: 175.9 billion Cost-benefit ratio = 0.043
Feasibility	**High feasibility:** Requires financial means	**Low feasibility:** Requires institutional reforms at both national and international levels and financial resources for monitoring

Source : Authors based on simulations.

[1] The costs are evaluated using the economic method of cost estimation (shadow costs). For the option of increasing the capital stock, these explicit costs are estimated by considering the weight in GDP of the sectors concerned by the increase in the stock as well as the 2020 GFCF rate forecast by the Direction de Prévision et des Études Économiques (DPEE). Implicit costs are not considered here. The benefits (economic and non-economic) are estimated using the quantified increase in activity income resulting from the reduction in the length of the queues. The costs associated with the increase in customs duties are insignificant and consist of support resources required for the implementation and enforcement of the institutional measure. A cost-benefit ratio of less than 1 means that the policy is cost-effective, as the costs involved are lower than the expected benefits. Comparing the two options, it can be noted that the project with a lower ratio is more beneficial to the community. Option 2 - which requires a cost of 0.043 billion CFA francs and benefits of 1 billion CFA francs - is therefore estimated to be the more cost-effective option.

PHoto : UN Women/Ryan Brown

Photo: Rod Waddington

Recommendation and roadmap

The authors recommend that **Option 1 be implemented in the second phase of the PSE**, as it would be much more effective in addressing the issue of unemployment among women and graduates in Senegal. Moreover, the design and implementation of a labour market policy is a process that can have strong micro-economic, macroeconomic and regional impacts.

The authors thus propose the following roadmap for the implementation of the recommended policy:

i. **A diagnostic study** of all public policies aimed at attracting investment, implemented in the civil engineering and hotel sectors since the year 2014 in Senegal, when the PSE was implemented;

ii. **A forum involving public decision-makers and entrepreneurs from these two sectors** and if possible some entrepreneurs from the other sectors of activity;

iii. **Encourage the adoption of measures in the form of laws or decrees** to attract investment to these sectors;

iv. **Include these measures in the next Priority Action Plan.**

This brief summarises outcomes from the project MPIA-20453, conducted 2019-20.

To find out more about the research methods and findings, read the full paper, published as part of the **PEP working paper series**.

This project was supported under a research and capacity-building initiative for Gender-sensitive Analysis on Entrepreneurship and Financial Inclusion, and Rural Employment in African countries (PAGE II-Round 3) supported by the International Development Research Centre (IDRC) of Canada.