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Policy Note: Filling the Gaps: Addressing the Skills Gap among the Youth in Tanzania.

Submitted to: Honourable Minister of Education, Science and Technology, Tanzania

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Executive Summary

Africa's demographic transition is a megatrend that will change the socio-economic base of the continent in the coming years. In the case of Tanzania, it is estimated that 15 million youth will enter the labour market between now and 2030. The Tanzanian government's VISION 2025 is to transform the country into a middle-income country through industrial and services sector development coupled with several infrastructural development projects but the current skill gaps among the working and unemployed population especially the youth poses a major problem to achieving these ambitions and pose a major policy challenge for the growing population, but it is also a unique opportunity if the country dedicates special attention to upskilling its younger population. This policy note argues the current relevance of the problem and proposes structural level reforms to enhance coordination between sectors and central planning through strong public-private partnerships, a comprehensive quality assurance system, and rebates for the Skill Development Levy.

Defining the Problem

The term "skills gap" refers to a fundamental mismatch between skills that employers rely upon their employees, and the skills that job seekers possess. The report by National Council for Technical Education (NACTE) identifies skill gaps as one of the Tanzanian employers' most pressing concerns. Skill gaps constrain organizations' ability to grow, innovate, deliver products and services on time, meet quality standards and meet environmental and social requirements. Closing skill gaps directly leads to improved productivity, employment, and enterprise creation in both the formal and informal sectors. (NACTE, 2020). Skills are not equivalent to education, for instance, a job requiring engineering skills and competencies cannot be filled by a person with basic education and training even after 20 years of experience, but for the most part, pre-employment skills are acquired largely through education and training, especially for jobs in the formal sector. (Tan, Bashir, & Tanaka, 2016). These competencies include cognitive (such as basic literacy and numeracy), non-cognitive skills (such as teamwork, communication, language, IT and other "soft" skills), as well as a job- or occupation-specific skills. The lack of workplace skills is a policy issue as when the educational level of the Tanzanian population is compared with other middle-income countries the results would prove unfavourable for Tanzania.

Tanzanian Enterprise Skills Survey (TESS) piloted by Development Economics Vice-Presidency and Education Global Practise of the World Bank presents the skills gap as a pressing issue hindering the growth of the Tanzanian economy and its transformation into an industrialised and services-oriented economy. The survey included 424 enterprises stratified by sector, region and size, with between 40 and 76 enterprises in each sector. Over 60% of all employers rated almost all soft skills as missing. (NACTE, 2020). Even though the number of TVETs[1] have increased over the years and great strides have arisen in the education and technical training sector the number of technical graduates in selected sectors have dropped from 20,152 in 2014/16 to 19.645 in 2019/19. (NACTE, 2020). Drawing more pieces of evidence from the survey, 39% of the employers pointed out that most of their employees were unable to apply the knowledge in performing relevant tasks. 26% of employers cited that employees were trained in outdated technologies. There were also comments that technical institutions do not adequately train graduates in practical skills and job competencies.

Tanzania Development Vision 2025 the five-year development plan that aims to transform the country into middle-income status by 2025 through reducing poverty and sustainable industrial growth has the

[1] **TVET** (Technical and Vocational Education and Training) is education and training which provides knowledge and skills for employment.

key ambition in the development of an industrial economy built on agro-processing and medium technology industries. It also looks to oversee the improved competitiveness across the economy. This ambition needs to be supported through effective skills development initiatives focusing on meeting defined skills demands. Skills mismatch leads to youth unemployment and low productivity which turns fatal for the overall output of the firms and the economy itself. Industries tend to become uncompetitive due to lowered productivity, lack of innovation and efficiency springing from an inadequately skilled human capital.

Current Significance of the Problem

Changing demographics which is a megatrend and poses a major challenge in policy-making for Tanzania. This means that there will be an influx of young people in the economy in the coming years. According to the LO/FTF Council Report 2016, based on ILO data, around 850,000 young people enter the country's job market annually, but only 50,000 to 60,000 formal-sector jobs are created each year. It is estimated that 15 million youth will enter the labour market between now and 2030. Over the next few years, over one million young people a year, with varying levels of education and skills, are expected to leave the education system and potentially enter the labour market (ESPJ). Thus the rapidly expanding youth demographics require a rapid expansion of employment opportunities to meet the supply expansion of labour. This poses a major challenge to the existing economy but it is also a unique economic opportunity when approached through efficient workforce development. The government of Tanzania's ongoing and upcoming infrastructural projects aligned with VISION 2025 is a significant sector demanding specific skill requirements. The Government of Tanzania is currently implementing a series of ambitious projects[2] and these projects are being implemented through six priority sectors; energy, agri-business, construction, tourism and hospitality, transport and logistics and ICT. These plans to transform the economy are dependent on the availability of skilled labour thus resulting in an increased demand for skilled labour, especially at the technician level over the past few years, accompanied by an associated increase in the number of technical institutions offering certificate and diploma programmes especially in the selected sectors. For the goals of Vision 2025 to materialise into reality, and also to address the challenges that spring from the ongoing demographic transition the existing and future skill gaps have to be addressed and already existing policies be revised according to contemporary requirements.

Major Challenges

Despite several programmes and policies catering to education and employment creation, several current critical challenges influence the skill development infrastructure in Tanzania. They can be classified into system-level challenges and service provider level challenges.

System Level Challenges identified include i)Lack of coordination of skills policies and initiatives at national and sector levels (ii) weak quality assurance systems; (iii) low public-private sector cooperation in the governance and delivery of training programs; (iv) low effectiveness and resources inefficiency of skills development funding. On the service provider level the challenges identified are (i) few skills development opportunities with limited equity; and (ii) low quality and relevance of skills development programs.

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[2] the construction of a new central railway line to Standard Gauge, expansion of the Dar es salaam Port, construction of the Mkunazi Agriculture City, construction of a new International airport in Dar es salaam, construction of a Crude Oil Pipeline from Hoima, Uganda to Tanga Port in Tanzania and the construction of Phase II of the Dar es salaam Rapid Bus System (DART).

Political Economy Considerations

The persistence of these system-level challenges, despite their being well documented, points to constraints beyond a simple absence of technical solutions. Overlapping mandates between the Ministry of Education, Science and Technology and the Prime Minister's Office Labour, Youth Employment and Persons with Disabilities division (Government of Tanzania, 2016) have historically diluted accountability for skills coordination, with neither body holding clear authority to compel the other's cooperation. A multi-stakeholder board of the kind proposed below would need to resolve this jurisdictional ambiguity at the outset, or it risks becoming an additional coordinating layer rather than a solution to the coordination problem itself. Similarly, a rebate on the Skill Development Levy would reduce net revenue collected by government in the short term, a trade-off that Treasury is likely to resist absent clear evidence that rebate-linked training investment yields returns to productivity that offset the fiscal cost. Any proposal for reform should therefore be paired with a phased implementation plan and, where possible, evidence from comparable levy systems in the region.

Policy Recommendations

1. **Formation of a board with multilevel stakeholder representatives**: To tackle the lack of coordination of skill policies and initiatives between national and sectoral levels it is recommended to form a board involving multilevel stakeholders. The board should be equally represented with representatives from the government and major three sectors. Headed by Commissioner for Education Office consisting of department directors from all six divisions under the Education Office, representatives from industry organisations and employers' union from all three major sectors primary, secondary and tertiary sector and directors of various public and private higher and technical training institutes of the country. This diverse board could help to solve the information gap and coordination issues between the centre and sectors and understand the current gaps in the demand side and supply side of skills and come to a common consensus on methods and curriculums that would fill these gaps.
2. **More strategic public-private partnerships**: Low private sector involvement in the delivery of training programs has been producing graduates without skills that are demanded by employers. Thus more private sector involvement can be achieved through promoting more Apprenticeship programmes in the firms operating in all sectors; a combination of an apprenticeship with classroom vocational training (dual education system) can be an effective tool. The strong link with the private sector enables the TVET curriculum to quickly adapt to changing skills demands in the industry. Involving representatives from the private sectors in designing TVET curriculums and curriculums for business schools and other technical schools. This also incentivises the firms to hire more students from these institutions, which will also make TVETs more appealing to young people, against the current unfavourable image TVETs in Tanzania have.
3. **Building Stronger Quality Assurance Systems**: Outputs from TVETs have to be monitored and evaluated vigorously and continuously. Monitoring the outputs, outcomes and impact on TVETs and other skill development programmes are to be taken up. A separate committee only dedicated to the evaluation of TVETs and their programmes is recommended to be set up to ensure the maintenance of quality skill development education. **A unified nationwide certification scheme** is recommended, ideally under the auspices of a specific body.Skills certification can be organized in a national qualification framework, where a single set of criteria for specified levels of learning is defined for individuals, which increases transparency and the qualifications of labour market participants can be identified more

easily. Individuals who hold such a certificate give potential employers an indication of the types of skills they have acquired through training.

4. **Tax Rebates for Skill Development Levy**: The Skill Development Levy which mandates employers to pay 4.5 percent of their wage bill to fund vocational training in the country, currently does not have a provision for rebates. A rebate system can be established where a certain percentage of the amount paid by the employer will be eligible for a percentage of reimbursement if their successful submission of an Annual Training Report (ATR) and Workplace Skills Plan to elucidate the amount of time and resources spent on employees'' skill development programmes and apprenticeships and leadership programmes.
5. **Targeted Programmes for Vulnerable Population**: Special skills programmes designed specifically for the development of skills among women, at-risk youth and members of certain tribal groups and basing these programmes at geographical locations that are accessible to the identified population.

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