

# CAN THE AGROPROCESSING SECTOR CREATE JOBS IN AFRICA?

## Evidence from Ethiopia, Ghana and Tunisia

The lack of adequate employment opportunities continues to be one of the principal challenges hindering poverty reduction efforts in Africa. Despite sustained economic growth – at least until the Covid-19 pandemic – the African economy has not been able to absorb sufficient labour: between 2000 and 2014, a 1% increase in GDP was associated with only a 0.41% increase in employment. This low contribution of economic growth to job creation has mainly been explained by the limited role that the manufacturing sector plays in the African economy. In this context, the food sector has the potential to accelerate Africa's economic transformation and development, and contribute to the much-needed job creation. Food system transformation in Africa has been shaped by the changing patterns of food demand, moving away from staple and unprocessed foods to high-value fresh, processed and convenience foods. By 2030, the African food market is expected to reach US\$1 trillion, potentially making agriculture and agribusiness catalysts for job creation, development and poverty reduction.

This policy brief offers insights on the potential of the agroprocessing sector to create decent and inclusive jobs in Africa, based on evidence from Ethiopia, Ghana and Tunisia.

### Agroprocessing in the food economy

**Population growth, urbanization and rising incomes are considered to be the main drivers of changes in food demand and supply in Africa.** Sub-Saharan Africa's population is projected to grow by around one billion between 2019 and 2050. The working-age population is growing faster than any other age group, creating opportunities for demographic dividends, economic growth and rising incomes. These shifts are expected to increase the demand for processed foods in Africa and thereby present opportunities for the agroprocessing sector. The extent to which local firms can capture this demand through domestic production, rather than relying on imports, will be crucial.

**The agroprocessing sector plays an important role in the food economy** by reducing post-harvest

losses, extending the shelf-life of foods, reducing the seasonality of access to various foods and improving the quality and safety of foods – especially if accompanied by investments in dry storage and cold-chain facilities. Because of its forward and backward linkages, investment and growth in the agroprocessing sector have the potential to create extensive multiplier effects, in particular by generating demand for agricultural products and associated inputs and services, creating on- and off-farm employment, enhancing incomes and public sector revenues.

**The agroprocessing sector in Africa is largely untapped, with significant variations between Ethiopia, Ghana and Tunisia.** Ethiopia's sector is nascent and primarily domestic while Tunisia's is mature and export-oriented, mainly towards European markets. Ghana's sector is growing, but artisanal activities still dominate. The agroprocessing sector is experiencing growth due to the rise of small and medium sized enterprises (SMEs), often referred to as the 'hidden middle', in Africa. These SMEs are crucial for food economy development due to their employment capacity and strong farmer relationships. Despite positive prospects, challenges persist in the three countries: Ghanaian firms suffer from irregular supplies of raw materials due to post-harvest losses, Ethiopian firms face input shortages due to foreign currency shortages and Tunisian firms struggle to meet strict European standards for exports and prohibitive testing and certification costs for SMEs.

### METHODOLOGY

The analysis is based on both primary and secondary data and combines qualitative and quantitative methods. The primary data was collected from ten agroprocessing firms in Ethiopia, six firms in Ghana and nine firms in Tunisia in 2019. Qualitative data was obtained through key informant interviews with the firm's owner, manager or the most knowledgeable person in the organization in all three countries, as well as focus group discussions with the firms' workers in Ghana and Tunisia.



## Agroprocessing and employment

**Agroprocessing is usually considered to be labour-intensive compared to many other manufacturing industries.** However, while in Ethiopia agroprocessing firms expect to continue relying on labour rather than capital, in Ghana and Tunisia more firms are shifting towards mechanization and automation. The extent to which this trend will impact jobs depends on which tasks are going to be mechanized or automated. On the one hand, mechanization and automation can open opportunities for more employment creation by enabling higher levels of production. On the other hand, manual jobs may be replaced, and even if new jobs are opened, their number may be relatively low.

**While employment in the agroprocessing sector in Ethiopia, Ghana and Tunisia is still limited in absolute terms, it constitutes an important share of the total manufacturing employment:** 19% in Ethiopia, 29% in Ghana, and 13% in Tunisia. Women represent a large share of the labour force, accounting for at least half of workers in the companies surveyed in Ethiopia and Ghana. Over the last two decades, employment in agroprocessing has grown very fast, creating more jobs per unit of output than most other manufacturing sectors. Also, employment figures are around five times higher if employment in the informal sector is included.

**Jobs in the agroprocessing sector in the three countries are diverse in terms of type and quality.** In Ethiopia, unskilled or low-skilled jobs are mainly offered, with no specific formal education level or skills required. Most workers have permanent written contracts, with low wages contributing to high turnover. In Ghana, formal education with at least senior high school level education is a key requirement for agroprocessing jobs.

Companies use a mix of contractual arrangements, including casual and permanent workers with written contracts. In Tunisia, workers are relatively well-educated, with around 50% having a secondary level and 30% college education. The majority of workers are offered work on a temporary or seasonal basis.

**In Ghana and Tunisia, agroprocessing jobs are seen as desirable due to their dynamic nature and potential for future growth.** Workers recognize the learning opportunities and potential for entrepreneurship but also face low earnings and delayed payments. Health issues and long working hours contribute to complaints about working conditions. However, agroprocessing is not considered a career path of choice due to low education levels and lack of access to finance. Workers in Ghana and Tunisia are more likely to pursue public sector jobs or start their own businesses.

### POLICY RECOMMENDATIONS

- **Adopt a comprehensive national strategy** to support the development of the domestic agroprocessing sector.
- **Invest in skill development in line with firms' skill requirements**, including though adapted vocational training programs.
- **Stimulate the domestic supply of high-quality raw materials** to protect local processing firms from price volatility in international markets.
- **Support agroprocessing firms in complying with food quality and safety standards** imposed by domestic and international regulators.

The policy brief is based on the study:

Kubik, Z., Getahun, T., Omari, R. and Oueslati Zlaoui, M. (2022) Can the agroprocessing sector create jobs in Africa? Evidence from Ethiopia, Ghana and Tunisia. ZEF Working Paper No. 215.

The studies are available at [www.r4ai.org](http://www.r4ai.org).

PARI implementing partners: ZEF/University of Bonn, University of Hohenheim, the Forum for Agricultural Research in Africa (FARA) and its national partners, the African Growth and Development Policy Modeling Consortium (AGRODEP) facilitated by AKADEMIYA2063, and research collaborators in India.

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### IMPRINT

Center for Development Research (ZEF)  
Genscherallee 3 | 53113 Bonn | Germany

E-Mail: [presse.zef@uni-bonn.de](mailto:presse.zef@uni-bonn.de)

Phone: +49-(0)228 - 73 18 46

Brief prepared by: Khadeja Akter Konok

Layout: Yesim Pacal (ZEF PR)



**zef**  
Center for  
Development Research  
University of Bonn